Daily Report

Latin America

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FBIS-LAT-90-124 *27 June 1990*

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SELA Conference Delegate on Debt Proposal

PA2506133890 Havana International Service in Spanish 1400 GMT 23 Jun 90

[Text] Cuba has described the regional proposal to tackle the foreign debt as a first attempt at concerted action and a starting point toward unity. The proposal was approved in Caracas during the ministerial meeting of the SELA [Latin American Economic System].

Raul Taladrid, vice minister [as heard] of the Cuban State Committee for Economic Cooperation, spoke on behalf of the Cuban delegation to the conference. Taladrid reiterated Cuba's readiness to participate in the initiative that was adopted at the SELA meeting. The initiative proposes a substantial reduction of Latin America's foreign debt and of the transfer of resources to foreign countries.

The Cuban delegate rejected the presence of a representative of the Panamanian Government—which, he says, was imposed by Washington—at the SELA conference. He said that the position of the Panamanian representative does not reflect the will of the people of the Isthmian nation.

* Proposal for Regional Economic Bloc Outlined

90SM0123A Santiago EL MERCURIO in Spanish 6 May 90 pp 1b-2b

[Interview with economists Eduardo Galletti and Elizardo Munoz by Silvia Riquelme A.; place and date not given]

[Text] There is an international consensus about the essential nature of bloc economies for achieving a higher level of growth and the penetration of markets in the decade of the 90s.

Two university professors, Eduardo Galletti and Elizardo Munoz, propose a strategy involving the establishment of a common monetary system for Latin America, with a central bank to facilitate the flow of capital and trade in the region.

"This is the only way of successfully meeting the continuing challenge of growth, and of overcoming the foreign debt situation," they maintain.

The United States and Canada; the European Economic Community; China, Japan, and the Southeast Asian countries; the Union of Soviet Socialist Republics. There is every indication that in this decade, the world economy is moving toward the creation of large economic blocs capable of coping with the demands of the markets of the future.

And when will this come about for Latin America?

Eduardo Galletti, director of the administration and finance course of study at the Blas Canas Higher Professional Institute, and Elizardo Munoz, a professor in the Economics Department at the University of Santiago, maintain that the decision to create a regional economic bloc should be made now, because "this is the only way of successfully meeting the continuing challenge of growth, and of overcoming the foreign debt situation."

This Latin American market bloc is conceived by these professionals as a free economic area internally which will implement a common strategy for penetrating the international market.

The organization of the market bloc, according to Galletti and Munoz, would be based on a supranational monetary and financial system with a central Latin American bank, which would create a supranational currency, at its center. They have given this system a name—the Latin American Alliance (ALA).

It should be emphasized that in 1985, these professionals published a book entitled "Establishment of the Latin American Monetary and Financial System—A Proposal," in which they established the foundations for their current Latin American economic bloc proposal.

Why a Bloc?

The need to use the bloc model is based on the relatively noncomplementary nature of the production existing today in the Latin American economies. This phenomenon is illustrated by the low level of exports and interregional imports in comparison to the volume of trade with the rest of the world.

These economists attribute this situation to the region's low productivity. Generally, the goods imported from the rest of the world are higher in price and of better quality than domestic products. "In this connection, despite our competitive advantages, such as low wages, the supply of natural resources, etc., the complementary aspect of the economies among the countries in the area will be limited," they say.

Also, among the other factors which explain the limited productivity, they mention the small size of our national markets and the low level of competition. "When there are clear comparative advantages and extensive foreign markets, capital and technology do not operate as factors limiting the achievement of high productivity. This has been demonstrated in the sectors producing goods which can be exported to the broad markets in the rest of the world," they say.

Therefore, they also believe that a regional market which is broad and open within its boundaries would make it possible to expand the business horizon, to achieve large-scale economies, to provide incentives for investment, to increase competition, and to allocate resources more efficiently, which would increase productivity.

"This fact," they say, "would lead to making the economies in the region more dynamic and complementary. It would also make it possible to put a greater number of and new types of production on the international market, to encourage an influx of foreign capital, and to

increase domestic savings. All of these things would stimulate a systematic increase in the rates of growth."

From the trade point of view, the great obstacle encountered by the countries in the area is the paralyzing nature of the mechanics required to achieve agreements on reducing customs and other tools and various subsidies used to protect domestic production against competition.

On the other hand, the willingness of the various countries to proceed seriously to open up their economies and to effect productive conversions, with the immediate costs this process entails, has been limited by the lack of stable and adequate financing to allow the distribution of this cost over time.

The Model Envisioned

The model which Eduardo Galletti and Elizardo Munoz propose is designed to increase productivity and competition through market mechanisms. It also seeks to eliminate the hindrances to intraregional trade, to open up foreign markets for regional producers, and, basically, to provide the domestic and foreign financing needed to achieve these goals. The functioning of this model will enable the market to maximize savings levels, while at the same time creating a demand for exportable products which will justify the use of the savings of each country for investments in the export sector. In this way, the rate of economic growth will be increased, as a result of the greater volume of investments and the more efficient use of them.

A basic condition for equity, which the model proposed provides, is a guarantee that the savings efforts made by each country will be utilized by the nation in such a way as to avoid the risk that they will be absorbed by the countries with greater relative development.

In the judgment of these economists, the main problem involved in the traditional integration processes has been that the transfer of savings deposits has prevented their use by each nation for domestic investment.

"If such investments are not realized within the country," they explain, "there will be no exports. Debts will be contracted to make imports possible, and the process of cooperation and mutual economic complementation will be weakened." The proposed model overcomes this problem.

[EL MERCURIO] Why can't the European model be used in Latin America?

[Galletti and Munoz] First of all, because Latin America does not have a stable source of financing of sufficient size to sustain a process of economic cooperation such as Europe had in the postwar era. And secondly, because the urgent need to establish a bloc market and the dizzying world economic events make it deceptive and impractical to channel this process through slow and difficult trade negotiations. Europe has been pursuing this effort for 40 years, and it has still not succeeded in completing its integration.

[EL MERCURIO] What solution do you propose, then, for Latin America?

[Galletti and Munoz] For Latin America, the priority is to establish a supranational financial system which will interlink the national capital markets in a balanced and fluid way with a currency established by the system, and one which is convertible. This is designed to create a greater potential for the domestic and regional savings levels, and also to encourage competition within the protectionist countries and the elimination of the restrictions on intraregional trade.

[EL MERCURIO] And what will happen to customs regulations?

[Galletti and Munoz] The most probable thing is that underlying the high customs duties is a level of profitability which encourages regional businessmen to invest in the protected sectors. The greater competition will lead to a drop in prices and an improvement in the level of product quality, making customs duties obsolete. The best customs duty is a competitive price. However, in addition, customs duties may be reduced more rapidly through the actions of the supranational authorities in the system and the governments of the countries in the region.

The ALA and Financing

Eduardo Galletti and Elizardo Munoz say that the financing needed for Latin American growth can be obtained from the markets, both regional and international. "The resources are not to be found in the governments which are plagued by deficits, foreign debt, social pressures, etc. They must be obtained from the market."

[EL MERCURIO] And how is this done?

[Galletti and Munoz] Through a convertible supranational currency issued by a Latin American central bank. It would differ from a national or multinational currency, like the ECU [European Currency Unit], the value of which, in the final analysis, depends on a complex of national currencies. This currency will not be that of any country in particular, but that, instead, of a supranational monetary system. Its value, therefore, will not be affected, as is the case with the ECU, by the values of the national currencies included in the "monetary basket." And its rate of exchange will be determined by market supply and demand.

"Supply," they add, "will be determined exclusively by the supranational central bank."

[EL MERCURIO] And will there be a demand for this currency?

[Galletti and Munoz] Of course. It will be wanted as a means of payment in intraregional trade and the transactions in physical or financial assets among the countries, as a reserve instrument, and as a financial asset.

They also maintain that the countries will adapt their rate of exchange to this new currency, just as they do with other types of foreign exchange. "Obviously, concurrent with a supranational economic model, the countries will retain their own currencies. They will serve as the mechanism for absorbing the disparities within the domestic economies. The ALAs will be the sun around which the national currencies will orbit, at greater or lesser distances, depending on their rates of exchange. [quotation marks as published]

[EL MERCURIO] Where will the countries in the region purchase the ALAs?

[Galletti and Munoz] One way is through direct allocation by the Latin American Central Bank to each country so it can engage in intraregional trade, and the other is through the authorization of amounts to be issued by the private economic agents themselves in the commercial banking sector in each country.

This is the private ALA system, which will make it possible to create the financial resources so that the regional and international markets can support the growth and the establishment of the Latin American market bloc.

[EL MERCURIO] How will currency be issued by the private ALA system?

[Galletti and Munoz] Private agents who want to import or to purchase physical or financial assets from other countries in the region will have to make term deposits in local currency in any of the commercial banks authorized to operate with the ALA, instead of buying foreign exchange at a commercial bank. On the other hand, the promissory notes showing ownership of the deposits will be expressed in ALA currency, at the rate of exchange prevailing at the time. These documents will simply be promissory notes in the country in which the ALA issues them, but for the rest of the countries in the region, they will have all of the characteristics of foreign exchange. Any commercial bank in another country which is authorized to operate with the ALA can purchase one of these documents with its national currency at the prevailing rate of exchange, paying in addition the proportional interest which it has earned as a promissory note. The central bank of any country can also make such a purchase, under the same conditions as the commercial banks.

[EL MERCURIO] How can the main characteristics of the ALA currency be summarized?

[Galletti and Munoz] The ALA currency will be a promissory note from a commercial bank backed by the Latin American central bank. It will be a monetary certificate which earns interest simply by existing. The ALA will be backed by a term savings deposit, unlike any other foreign exchange issued by a national central bank. And there may be various denominations (a deposit of 100 may yield 10 ALAs worth 10 each). The document will be payable to the bearer, and will have a standard design.

In the final analysis, it will be a bill which can be transferred to any country without any hindrance or limitation whatsoever.

[EL MERCURIO] Won't this last characteristic lead to problems in the national monetary and financial balances?

[Galletti and Munoz] On the contrary. The issuance of the ALA will make it possible for nationals of a given country to import goods or purchase assets in other countries, which is very good, both because it will make the regional goods market more dynamic and because it will interlink the national capital markets, thus expanding business horizons and competition. With regard to the monetary and financial balances, the issuance of ALAs which will go to other countries will be very positive, because it will create and establish term savings deposits which will serve to finance investments in the issuing country, mainly in its export sector.

The banks which receive these deposits will find their financial positions improved. And the country does not transfer its savings deposits—only their ownership, with the transfer of ALAs.

[EL MERCURIO] Why would there be priority investment in the export sector?

[Galletti and Munoz] For two reasons. First, there would be a demand for exportable products from the countries elsewhere in the region which are also issuing ALAs, and secondly, when this currency which is generated in the country itself returns (when it falls due, and simply as a promissory note), it will be converted into demand for exportable goods or assets. Thus the countries will seek to specialize in the sectors in which they have or can develop comparative advantages, thus promoting their growth.

[EL MERCURIO] Won't the functioning of a supranational economy be hindered when the countries with chronic deficits reach their maximum capacity for indebtedness?

[Galletti and Munoz] What indebtedness? The only debt generated in this type of an economy is that which the commercial banks have in national currencies with those who hold ALAs, as owners of the savings deposits. And it is normal for banks to pay off their commitments out of payments on the loans granted their customers. Moreover, as the ALA is a title showing ownership of an asset (a savings deposit), any exchange effected with it is in assets. Thus no debt at all is generated at any time.

These economists add that if one wants to view indebtedness solely in terms of what happens with the exchange

of physical assets or goods, a country which has imported goods or purchased assets from another nation using ALAs issued within it must pay them off when the ALAs it has issued are returned as payment for the purchase of goods or physical assets.

They say, moreover, that the supranational economic model affects the monetary balances and the balance of payments in such a way that there can be countries with permanent deficits or surpluses whose accounts are balanced.

"The conclusion is obvious. Indebtedness is not a factor which can limit growth."

[EL MERCURIO] But there is a restriction on other foreign exchange currencies, such as the dollar, the yen, and the mark, which limits growth. From this point of view, the supranational economic model could not eliminate this restriction, since the model would apply to Latin America alone, above all in view of the tremendous foreign debt volume. It must not be forgotten that none of the countries in this region can readily obtain credit on the international market. Is the model viable, then?

[Galletti and Munoz] Yes, because two factors must be taken into account. Although willing credit markets are closed to Latin America, the establishment of a market bloc will cause foreign investments to flow into Latin America from the rest of the world because it will be a broader market. The Latin American market overall is a little smaller than the USSR market, and three times the size of that of China. Moreover, a supranational economy can indeed penetrate the international financial markets. The ALA currency can be issued on the basis of term savings deposits made in the foreign exchange of countries which are not in Latin America. Even the banks authorized to operate with the ALA in the region will be able to do this with countries in the rest of the world, obtaining savings and issuing ALAs. Therefore, in no case will the restriction on other foreign currencies serve as a structural hindrance to growth in the Latin American countries.

[EL MERCURIO] What are the costs of putting a supranational type of economy into operation in Latin America?

[Galletti and Munoz] For the region, the implementation of this model will not entail any cost. This is not a model involving a zero amount or a greater amount, but an exponential model. A country which joins the system will immediately receive foreign exchange, and domestic savings will be generated in the long term. These savings will serve to finance investments in the export sector, and to satisfy the projected demand as of the due date of the ALA issued.

One could speak of cost in the sense that greater investments by efficient businessmen will force the inefficient ones out, but this is not a cost to the country. One could also say that with exports, the goods available in the country are reduced, but avoiding this would be the same as refraining from selling the products of a supermarket in order to consume them.

In the final analysis, for the countries and the efficient businessmen who have real business vision, operating within a supranational economy is first-rate business.

[EL MERCURIO] And what about the political feasibility of putting a supranational economic model into operation?

[Galletti and Munoz] This is a concern to which the governments, the politicians, and the private economic agents must respond.

Cuba

Havana Notes TV Marti Test Period Extension

FL2606115090 Havana Tele Rebelde Network in Spanish 1100 GMT 26 Jun 90

[Text] As the test period for television broadcasts beamed to Cuba from the United States came to an end yesterday, the U.S. Administration announced that those broadcasts will continue. Margaret Tutweiler, spokesperson for the State Department, said the continuation of the broadcasts is based on a 30-day extension authorized by the U.S. Congress when it established a 90-day period and approved $16 million for the project.

This extension would reportedly make it easier for President George Bush to certify before Congress that the anti-Cuban television project has fulfilled its goals. According to some sectors, this appears to be difficult inasmuch as the signals have been systematically jammed by Cuba.

Wayne Smith, from the School for Advanced Studies of the Johns Hopkins University and former chief of the U.S. Interests Sections in Cuba, said the so-called TV Marti is a television channel that cannot be seen.

TV Marti Called Waste of Taxpayers' Money

PA2706041590 Havana International Service in Spanish 0014 GMT 27 Jun 90

[Report by Urbino Amaya]

[Text] Margaret Tutweiler, U.S. State Department spokesman, has indirectly recognized the efficiency of the work done by Cuba to jam U.S. television broadcasts. She said that the signal of the ill-named TV Marti has only been seen in Cuba for just over a minute since it was first beamed a little over three months ago. In a meeting with the press, Tutweiler pointed out that the U.S. Congress has authorized for 30 more days an extension of the television broadcasts aimed at Cuba. The testing period of the television station was meant to last three months, which should have been over by now.

With the extension of the tests, U.S. President George Bush intends to certify before the U.S. Congress that the anti-Cuban station has supposedly fulfilled its mission, which in the opinion of some media is difficult to believe because the signals have been systematically jammed by the island's authorities.

Asked to justify the expenditures incurred in the experiment, Tutweiler had no response and only said that the Bush administration wants to go on with the broadcasts.

In its first two and a half months of testing, the programming produced in Washington and beamed exclusively to Cuba cost U.S. taxpayers over $7 million.

The jamming of the Cuban television has also been confirmed by (?Guy Smith), a professor and former chief of the U.S. Interests Office in Havana, who said that the television channel cannot be seen and no one watches it. (?Smith) added that he was on the island last April and he learned that the video broadcast by a transmitter located in a balloon over the Florida keys cannot be seen.

Meanwhile (Walter Wafel), representative of the U.S. National Association of Broadcasters, has said that the anti-Cuban television station is a waste of time and taxpayers' money.

Rosales del Toro Tours Soviet Naval Detachment

FL2706005090 Havana Television Service in Spanish 0000 GMT 27 Jun 90

[Text] Division General Ulises Rosales del Toro, an alternate member of the Politburo, visited the Soviet naval detachment this afternoon. Rosales del Toro, a first vice minister of the Revolutionary Armed Forces [FAR] and chief of the General Staff, was met on the flagship Azov by Rear Admiral Aleksandr Vasilyevich Gorbunov, chief of the Soviet surface units that are visiting us.

During his tour of the ships, the division general was given an explanation of the combat capabilities of these naval units. Rear Admiral Aleksandr Vasilyevich Gorbunov had visited the offices of the Ministry of the FAR today, where he met with Division General Ulises Rosales del Toro. Representatives from the Soviet Embassy in Cuba and FAR chiefs and officials also attended this meeting.

Colombia's Patriotic Union President Arrives

FL2606125990 Havana Tele Rebelde Network in Spanish 1100 GMT 26 Jun 90

[Text] Oscar Duenas, president of Colombia's Patriotic Union [UP] left-wing coalition, arrived in our country early this morning. [video shows a group of people at the airport] Jose Ross, official of the Communist Party of Cuba America Department, welcomed him at the airport. Shortly after, he provided exclusive comments to "Morning Magazine." [name of newscast]

[Begin recording] [Unidentified reporter] This is the man replacing Bernardo Jaramillo in that difficult political position in Colombia. Comrade, how is the Colombian political situation at this time?

[Duenas] The situation is extremely complex. There is a generalized atmosphere of violence. Life is very difficult for us UP members. However, we have overcome the three most difficult months in the entire history of the UP. Not only was our Comrade Bernardo Jaramillo assassinated and killings carried out in areas where we are strong, but also, division was provoked within the UP's leadership. Fortunately, everything has been overcome. Those three months were extremely difficult. They were difficult for the UP, difficult for its members, and difficult for us, it's leaders.

[Reporter] What does the UP intend to do after the congressional and general elections held a few months ago?

[Duenas] We did not have a presidential candidate. We only voted for the summoning for an amendment to the national Constitution. Our goal is to conduct an electoral campaign to obtain a UP representation in the constituent national assembly. Candidate Gaviria announced today that there would be 100 constituent members. We do not agree with Dr. Gaviria's proposal. Nevertheless, we will attend that constituent member election. [end recording]

PCC Calls for Assessment of Economic Problems

PA2706024190 Havana International Service in Spanish 0000 GMT 26 Jun 90

[Commentary by Roberto Morejon]

[Text] One of the main goals of the Communist Party of Cuba [PCC] is to shape a more just and revolutionary society. The PCC's call to its fourth congress has motivated nationwide debates in which the people's suggestions for correcting errors or improving actions are being noted. The results of these debates will form the draft agenda of topics to be discussed at this important meeting.

In a climate where opinions flow freely, interesting ideas about facing the island's adverse economic conditions have been expressed. The Cuban economy has been affected by an instability in the flow of supplies from abroad. These supplies cannot be acquired in the quantities needed because of a scarcity in foreign exchange.

In addition, political changes in Eastern Europe have resulted in new realities in the commercial area. However, Cuba must adjust to these changes after many years of having economic relations with the formerly socialist bloc.

However, not all difficulties result from a shortage of material resources, because there are many enterprises, shops, and working centers where sluggish attitudes and the deeply-rooted problem of bureaucracy still persist.

Too many meetings and documents often do not leave much free time to work, seek resources, and apply initiatives.

The PCC thinks that that the country's economic difficulties call for a thorough assessment of the different mechanisms used so far.

A creative attitude is forcing its way through various areas that have experienced difficulties in the past, such as in the cases of the construction and science sectors. Important progress is becoming evident in the productivity, efficiency, and quality of the work done in these sectors.

Agenda of ANPP 7th Regular Session Reported

FL2606181890 Havana Radio Rebelde Network in Spanish 1700 GMT 26 Jun 90

[Text] The National Assembly of the People's Government [ANPP] has included eight points in the agenda for its seventh regular session scheduled for 11 July. This was reported during a news conference by Comrade Juan Escalona Reguera, president of our top legislative organ. During his meeting with the press, Escalona Reguera also noted that among the subjects included in the agenda are the report of the Attorney General's Office. This report will focus on economic crimes.

[Begin Escalona recording] The economic crime problem is beginning to be of extreme concern in the country. Not only because of the magnitude of the problem, the volume of crime activities, but also because economic crime is creating criminal behavior in many people. It is not a matter only of the one that commits the act, such as—as has happened to us—the one that takes a truckload of rice or imported goods out of the port. But then a distribution network, middlemen, are needed. People who receive the merchandise, of course, know it is obtained from an illegal source. This is how a chain of crime is created. This is growing in the country. [end recording]

The report from Camaguey Province; the Tourism Institute; and the possession, theft, and illegal killing of cattle will also be dealt with by the deputies.

Minfar Begins Inspection of Western Army

FL2606191990 Havana Cuba Vision Network in Spanish 1700 GMT 26 Jun 90

[Text] Today, the Minfar [Ministry of the Revolutionary Armed Forces] began inspection of the Western Army to determine if the provinces of Pinar del Rio, Havana, Ciudad Havana, and the special municipality of the Isle of Youth are ready for the defense in the first stage.

On this occasion, Division General Ramon Pardo Guerra, commander of the Western Army, issued a call to officers, classes, soldiers, civilian workers of the FAR [Revolutionary Armed Forces], members of the Territorial Troops Militia, and other combatants. His message says that the inspection will be carried out at a time when the country is preparing for its most important meeting, the fourth congress of the Communist Party of Cuba, and while the people from the capital are preparing to celebrate another anniversary of the attack on the Moncada garrison.

The message says that the Minfar will measure our strength and capacity to defend the victories of our revolution. The document adds that the Army will respond to the proposals made by the minister [of the FAR] regarding the process of rectifying mistakes and negative tendencies. The message also says that the 30th Anniversary and Cuban Shield maneuvers demonstrated the western territory's high degree of combativeness. In

addition, it called on the people of Pinar del Rio, Havana, and the Isle of Youth to turn the territory into a solid shield against which the enemy will clash every time it attempts to take it.

The message also recalls the words of the FAR minister stating that the Western Army must also serve as a shield to defend the Cuban revolution's ideology and principles, as well as socialism and internationalism.

Haiti

Contested Finance Minister Legagneur Resigns

FL2606160490 Port-au-Prince Radio Metropole in French 1600 GMT 25 Jun 90

[Excerpt] Finance and Economy Minister Violene Legagneur, whose contested appointment led to a serious political crisis between the president and the Council of State, resigned yesterday [24 June]. [passage omitted]

State Council Issues Communique on Assassinations

FL2606174690 Port-au-Prince Radio Antilles Internationales in French 1730 GMT 25 Jun 90

[Excerpts] In a communique, the State Council says it is sickened by the deaths of Serge Villard and Jean Marie Montes, and offers its condolences to the victims' families. [passage omitted]

[Begin State Council spokesman recording] State Council communique: Serge Villard, member of the Council of State, representative of the private sector, who has fallen on the field of honor, died on Sunday, 24 June 1990. Like young union militant Jean Marie Montes, Serge Villard is one more victim of the 21 June attack on the State Council and the popular organizations by the terrorist forces that are, at any cost, against change and a transition to democracy.

The State Council, sickened by the murders of Jean Marie Montes and Serge Villard, bows respectfully before the mortal remains of these patriots and, deeply moved, presents its condolences to the two families, whose pain it shares.

Serge Villard, an indefatigable fighter, did not compromise his convictions and respect for principles and responsibilities. He was, therefore, a choice target. He fell amidst a struggle to have a word given kept and the commitments made regarding the Haitian people respected. Haiti must be liberated—such were this fighter's last recommendations.

His death must not be exploited by anyone whatsoever for demagogic purposes.

As a sign of mourning, the State Council announces the postponement of the meeting scheduled for 26 June at the Legislative Palace, and is certain that its grassroots and all those who have expressed to it their sympathy and support, will understand that this measure is well-founded.

The Council of State agrees with the Villard family in its clear stand: The family refuses to have Mr. Villard be given any kind of official funeral.

The State Council asks the nation to render popular homages to Serge Villard and Jean Marie Montes. It also asks the nation to remain vigilant and mobilized.

Port-au-Prince, 25 June 1990, The Council of State.

Thank you. [end recording]

That was the statement by the State Council's spokesman. The State Council thus adopts the position of the Villard family, which it seems has refused to have Mr. Villard be given any kind of official funeral.

Creole Version of 23 June Trouillot Speech Aired

FL2606171790 Port-au-Prince Radio Metropole in French 1600 GMT 25 Jun 90

[Monitored in progress]

[Excerpts] ...was being taken by plane from Port-au-Prince to Miami. The 66-year-old Villard, a businessman from Cap-Haitien, a former member of the Constitutional Assembly, and the private sector's representative on the State Council was considered the father of Article 291 of the Constitution of 1987. [passage omitted]

Serge Villard died yesterday [24 June] of his wounds in a plane taking him to Miami. The nation is observing two days of mourning, today and tomorrow, Tuesday [26 June]; and on the eve of Dr. Villard's demise, President Ertha Pascal Trouillot declared, in a message to the nation in both French and Creole carried over radio and television, that she was ready to seek a new basis for agreement and consensus with the State Council, with mutual respect. [passage omitted]

[Begin Trouillot recording, in Creole] The country is traversing a very difficult time. [preceding sentence in French] It is time for all conscientious Haitians to stand up and be counted. Open your eyes to keep an eye on the wicked, who are doing everything they can to keep the country in a constant turmoil so elections will never be held. These wicked forces are extremely clever. They are in the habit of throwing rocks and quickly hiding their hands behind their backs. They are extremely two-faced. (?Be alert) so they will not be able to get us into a predicament. They (?will do) all kinds of crooked wheeling and dealing so as not to go to elections.

Despite this, we are determined to hold elections. We need to put an end to the four years and three months of this problem and insecurity. To accomplish this, we will

work relentlessly with all countries that wish to help us respectfully, and work with all Haitians who love their country.

The electoral council, which is the boss in this matter, is already set up. It has already prepared its electoral law, which is ready to be issued. Right after that will come the electoral calendar—that is, the schedule for all the elections.

To protect the population during the elections, we will form a civilian corps, a corps called Agents of the Public Peace, which will work side by side with the police. Many countries have already offered us help in organizing these elections, without meddling in our affairs. We are not saying we can eliminate insecurity totally, however, we do say we can control this insecurity so the population can vote freely, without fear.

You have just seen what these wicked people have just done to a member of the State Council and two unfortunate workers, who lost their lives unnecessarily. We refuse to accept such things. For this reason, we are asking the police and the judiciary to redouble their efforts to catch these criminals, regardless of the difficulties, and sentence them properly.

I join my voice to that of all the nation's vital forces which have declared today, Saturday, a day of prayer and meditation in honor of these companions, as well as of all the other victims who have perished unjustly. As provisional president, I will sit down serenely with the State Council so we can try to solve the nation's important problems, together, with [words indistinct] so we can do what is good for Haiti. [end recording] [passage omitted]

PAIN Demands President Trouillot's Resignation

FL2606165090 Port-au-Prince Radio Metropole in French 1050 GMT 26 Jun 90

[Monitored in progress]

[Text] ...that imperils the electoral process. It is shameful that Mrs. Trouillot, through her attitude, encouraged a wave of crimes that culminated in the assassination of Serge Villard, a gallant patriot and important member of the State Council. This is unforgivable, declares the PAIN [National Agricultural and Industrial Party].

Furthermore, it is shameful for Mrs. Legagneur to have waited four weeks and to have resigned only after the assassination of Jean Marie Montes and Serge Villard. The complicitous silence of the ministers and their decision to remain in solidarity with Mrs. Trouillot against the popular will is also shameful.

Consequently, Mrs. Trouillot's provisional government has reached a point of no return. It has lost all credibility.

The PAIN, the party headed by Louis Dejoie, totally supports the State Council and reiterates its demand that Mrs. Ertha Pascal Trouillot resign as provisional president of the Republic of Haiti.

French Socialist Party Reacts to Recent Events

FL2606162390 Port-au-Prince Radio Soleil Network in Creole 1100 GMT 26 Jun 90

[Text] The French Socialist Party has reacted this morning, in Paris. According to news we have just received, the French Socialist Party says this matter of assassins running the show in Haiti must stop. According to the French Socialist Party's national secretary in charge of international relations, Pierre Guidoni, these cowardly assassinations prove it is urgent to set in place, in Haiti, legitimate institutions issuing from the popular will. Thus, elections must be held. Guidoni paid homage to the courage of everyone who is fighting, standing up to, the forces of darkness, standing up to the people who regret having lost power in Haiti.

The French Socialist Party declares itself to be in solidarity with everyone in Haiti who is seriously struggling to set up a democracy in Haiti.

New Organization Issues Press Release on Position

FL2606185490 Port-au-Prince Radio Soleil Network in Creole 1100 GMT 25 Jun 90

[Report by Exil Noel Edules from Gonaives]

[Excerpts] In Gonaives, the Union of Haitian Progressive Forces [Inyon Fos Progresist Ayisyen], whose acronym is IFPA, states, in a press release, its position on the difficult current situation in Haiti, especially after the 21 June attack on the State Council by the forces of darkness.

IFPA says elections are not possible under the current conditions in Haiti, because many of the murderers are in the Haitian Army, and they have murderous weapons in their hands and the Haitian Army law to protect them. All the provisional governments from 1986 to the present have been authentic representatives of the macoute sector. [passage omitted]

The Mrs. Trouillot/State Council experience shows clearly that the American imperialists and their plethora of candidates and the macoute members of the Armed Forces and other macoutes do not want the Haitian people's democratic change to make any headway.

The IFPA says they [not further specified] encourage injustice so their interests will continue to be safeguarded; power so they can chase after millions; corruption and waste of the government's money so economic power will remain in their hands; and theft, murder, and repression to demobilize the Haitian people regarding all their demands.

Therefore, the IFPA sees that it is time for all popular organizations in Haiti to form a chain of solidarity so the struggle can make headway, because they are tired of counting corpses.

Last, the IFPA expresses its condolences to the Haitian people, especially the families of all the people who have fallen to the murderers' bullets, and says to all the State Council members: Hang in there steadfastly. They [not further identified] will continue the fight through to the end.

Down with Mrs. Trouillot. Down with Abraham. Down with all phony candidates who sell out the country. Long live a free Haiti.

The press release is signed, for the IFPA, by Marc Edouard Guillaume and [name indistinct]. [passage omitted]

Noel Appointed To Replace Gonzales on CEP

FL2606161590 Port-au-Prince Radio Soleil Network in Creole 1100 GMT 26 Jun 90

[Excerpts] A government decree dated 22 June says Marc Antoine Noel has been appointed by Mrs. Trouillot's government to replace Pierre Gonzales, who resigned from the electoral council [CEP]. [passage omitted]

Another government decree announces that Frantz Patrick Beauchard [head of the 17 September People's Organization, OP-17] has been appointed member of the board of directors of Ciment d'Haiti [national cement company].

Jamaica

Labor Party Leader Seaga Names Eighth Senator

FL2606173390 Bridgetown CANA in English 1617 GMT 26 Jun 90

[Text] Kingston, Jamaica, June 26, CANA—Leader of the Jamaica Labour Party [JLP] Edward Seaga Monday [25 June] evening named trade unionist Dwight Nelson, as the eighth opposition senator, hours after a high court judge gave the attorney general permission to apply for an order to compel the opposition leader to make the announcement.

The 40-year-old vice president of the JLP-affiliated Bustamante Industrial Trade Union (BITU) was named after 16 months and repeated calls on the party leader to name an eighth senator. Last week the attorney general applied to the supreme court for permission to apply for an order of mandamus because the opposition leader had "failed to perform a constitutional duty."

The Jamaica Constitution states that there should be 13 senators on the government side and eight on the opposition bench. Seaga appointed seven senators in February last year shortly after the general election and promised to appoint the eighth. Nelson was a senator from 1983-89 under the JLP government.

St. Vincent and the Grenadines

Prime Minister Mitchell Presents Budget

FL2606204590 Bridgetown CANA in English 2024 GMT 26 Jun 90

[Text] Kingstown, St. Vincent, June 26, CANA—Prime Minister James Mitchell on Tuesday [26 June] presented St. Vincent and the Grenadines with a 137 million dollar (one East Caribbean dollar—37 U.S. cents) budget that included no significant tax increases. The budget, with a recurrent expenditure of 70.5 million dollars and a capital expenditure of 66.7 million dollars, has been described as an interim measure aimed at returning the government's financial year—July 31-June 30—to the calendar year adopted by most local business enterprises on the island.

In an hour-long presentation, Mitchell announced an increase in departure tax from EC12 dollars to EC15 dollars effective July 1. Mitchell also announced increases in the fees payable for non-nationals seeking resident status on the island. He said as from July 1, Caribbean Community (Caricom) nationals will pay EC1,200 dollars for resident status up from EC1,000 dollars, while nationals from the commonwealth will pay EC1,800 dollars, 300 dollars more than the previous fee. Other nationals will pay EC2,400 dollars, up from EC2,000. Mitchell also announced an increase in the application, registration, and renunciation of citizenship fees.

Mitchell said he was placing a number of basic food items under price control. They include fish and meat.

Mitchell said that the government would be placing emphasis on agriculture, tourism, construction and industry as international developments were having an effect on the local economy. "This changing international scenario comes in the wake of our enhanced economic performance in the Organisation of Eastern Caribbean States (OECS) that is leading to our graduation from international concessionary financing," he said.

"Soon we will be faced with having to build schools with high interest loan funds, if we do not have revenue surplus to accommodate our increasing population". Mitchell said the 1988-89 recurrent account surplus amounted to EC7.3 million dollars.

New PRI Leader Appointed in Federal District

PA2606180190 Mexico City XHTV Television in Spanish 0100 GMT 26 Jun 90

[Text] Enrique Jackson Ramirez has been appointed new Institutional Revolutionary Party [PRI] leader in the federal district, replacing Tulio Hernandez Gomez. Jackson Ramirez was sworn in before PRI National leader Luis Donaldo Colosio and Manuel Camacho Solis, chief of the federal district.

Rafael Rodriguez Barrera, PRI secretary general, commented on the organization.

[Begin Barrera recording] We plan to improve the exercise of our statutes and laws, which permit us to make changes in our leaders. This is why we should seek more coherence and unity instead of engaging in sterile conflicts that alter and disrupt the life of a political party. [end recording]

Mr. Enrique Jackson Ramirez has occupied several posts in the public sector, including political delegate in Cuauhtemoc and director of the Federal Air Transport District. Mr. Jackson remarked on his appointment.

[Begin Jackson recording] This is a time for change and a time to continue advancing. These times demand fewer speeches and more work. [end recording]

Mr. Jackson said there should be time for more work and fewer speeches. Mr. Jackson is the fourth PRI leader in the federal district in less than two years.

Five Members of Clandestine Party Imprisoned

PA2706005090 Mexico City XHTV Television in Spanish 0114 GMT 26 Jun 90

[Text] The five dangerous criminals, who are members of the Revolutionary Workers Clandestine People's Union Party, whose arrest was announced last week by Ignacio Morales Lechuga, attorney general of the Federal District, were formally imprisoned today at the Norte Prison in Mexico City.

David Cabanas Barrientos received his legal notification of charges in the prison, along with four other individuals who have been accused by the Federal District Attorney General's office. The names of Cabanas' accomplices are: Felipe Edgardo Gascon, Ana Maria Vera Smith, and Blanca Lidia Muro.

The group was imprisoned because it is accused of killing two guardsmen from LA JORNADA newspaper and kidnapping businessman Jorge Sekiguchi. They are also accused of aggravated robbery and illegal association. Victoria Osuno Tapia is being charged with illegal association and she is the only one eligible for bail, the amount of which has not yet been determined.

El Salvador

Armed Forces 'Satisfied' With Results of Talks

PA2606233690 Panama City ACAN in Spanish 2156 GMT 26 Jun 90

[Text] San Salvador, 26 Jun (ACAN - EFE)—The Salvadoran Armed Forces has announced that it is "satisfied" with the results of the last round of negotiations between the government and guerrillas, which ended in Mexico yesterday without agreement, but with the will to continue the talks.

"Although no specific agreement to secure peace in the country has been reached," which was the hope of the Armed Forces and the Salvadoran people, the steps that were taken are considered significant, an Armed Forces communique released today said.

In the communique the Army urges the Farabundo Marti National Liberation Front (FMLN) to assume a "patriotic stance" and refrain from positions "that go against the Salvadoran people's wish to attain peace."

"The Salvadorans want to attain peace to live and work in peace, after more than a decade of warring conflicts. The Armed Forces understand the Salvadoran people's feelings and are undertaking efforts so that the peace aspired to will be secured soon," the communique added.

The Army emphasized the role of Colonel Mauricio Ernesto Vargas, its representative to the National Dialogue Commission, "fully representing our Armed Forces."

According to the Armed Forces, Col. Vargas, commander of the 3d Infantry Brigade based in San Miguel, some 150 km from San Salvador, has said in Mexico that disagreeing with the other party "does not mean that the negotiations will not progress."

The Armed Forces also stressed the role of Alvaro de Soto, mediator and representative of UN Secretary General Javier Perez de Cuellar, who "appropriately and impartially conducted the delicate task assigned to him," the communique says.

The document added that the Armed Forces think that the topics discussed in the meeting held in Oaxtepec, some 80 km south of the Mexican capital, "are within the expectations of the dialogue to secure peace."

The main point of the negotiations were centered on the reorganization and reduction of the Armed Forces and the demilitarization of the Salvadoran society, considered the most thorny and difficult point in these conversations.

The FMLN and government delegations agreed to meet again from 20 to 25 July, possibly in Costa Rica or Mexico, to continue the negotiations.

FMLN Arms Shipments from Nicaragua Decrease

PA2606233990 Panama City ACAN in Spanish 2216 GMT 26 Jun 90

[Text] San Salvador, 26 Jun (ACAN-EFE)—President Alfredo Cristiani said today that the flow of weapons from Nicaragua to Cuba for the Salvadoran guerrillas "has decreased" in the past few months.

According to Cristiani, the "main" reason the Farabundo Marti National Liberation Front (FMLN) is not receiving more weapons is because it received a "tremendous" load of war materiel from Cuba, via Nicaragua, before last November's bloody offensive.

"At this time the FMLN has more weapons than men and more ammunition that rifles," Cristiani said. He cautioned, however, that the guerrillas continue to receive weapons from Nicaragua, where "they still have some supplies."

ACAN-EFE has learned that Cristiani made that statement to a VOA reporter.

Cristiani said that Cuba "has slowed down" the shipment of weapons to the Salvadoran guerrillas, but Fidel Castro still "gives his total assistance and support to the FMLN. He said that he hopes that this situation is "circumstantial."

"I believe that Castro should forget the romanticism of armed confrontations because the democratic path is the best way to solve problems," Cristiani stressed.

Guatemala

Cerezo: Violence 'Not Politically Motivated'

PA2606235790 Panama City ACAN in Spanish 2238 GMT 25 Jun 90

[Text] Guatemala City, 25 Jun (ACAN-EFE)—Guatemalan President Vinicio Cerezo said today that the wave of violence in the country is not "politically motivated, but based on common crimes." He pledged to confront and stop the violence "with immediate actions."

Cerezo told reporters that after reading the latest police reports "he did not feel that the wave of violence was as serious as in the past, when death squads operated."

The Guatemalan Government formed a joint police and military force to counter common crime in 1988.

Former U.S. President Jimmy Carter will visit the country next month to investigate the reasons for the wave of violence. Regarding Carter's visit, Cerezo said "he is welcome and can come whenever he wants."

Cerezo explained that Carter will not come to investigate human rights violations and that his visit is to "promote human rights, as he has done in other Latin American countries."

Several bodies with "coups de grace" were found last week. Based on this, several mass organizations believe that ultrarightist terrorist "death squads" continue to be active in Guatemala.

Vice President Favored To Win Presidency

PA2706010390 Guatemala city EL GRAFICO in Spanish 23 Jun 90 p 3

[Text] Deputy Jose Garcia Bauer has announced that the latest polls indicate that Jorge Carpio Nicolle, of the Union of the National Center, UCN, will win the elections, and these polls accurately reflect the opinion of those who will vote for the president, deputies, and city mayors.

Garcia Bauer said that we must recall that the UCN wing at the Constituent Assembly was the largest one, and that during the current legislature, the UCN was also the main opposition force in the country.

In addition, the party nominating Jorge Carpio is one of two having the best electoral infrastructures, not only in Guatemala City, but also in the municipalities and villages. This has been the case since the last elections when the UCN ran with the Guatemalan Christian Democracy.

He added that this is because the Guatemalan people, like all peoples of Latin America, want a civilian candidate that will represent order within the law, have an effective public administration, and be capable of organizing a government of true national unity with the best men of Guatemala.

As is the case in the Americas, the world trend calls for civilian presidents. For example, the two superpowers have civilian presidents even though they have the most powerful armies in the world. Both superpowers understand that the Army must be professional.

The truth is the polls reflect that the people support the UCN candidate.

Garcia Bauer also said that Jorge Carpio Nicolle has served well as vice president and he is worthy of becoming the president, as his experience is well known both in the country and abroad.

Financial Cooperation Agreement Signed With FRG

PA2706041490 Guatemala City PRENSA LIBRE in Spanish 26 Jun 90 p 12

[Text] A Financial Cooperation Agreement has been signed by the FRG and Guatemalan Governments, represented by Ambassador Henning Dodenberg and Public Finance Minister Juan Francisco Pinto Casasola, the Finance Ministry has announced.

The agreement grants our country the possibility of obtaining from the Loan Institute for Reconstruction (Kreditanstalt fur Wiederaufbau) up to 13 million marks to be used for financing the purchase of German merchandise and services, and the expenses in local and foreign currencies incurred in transportation, insurance, and the assembly of imported merchandise, the agreement adds.

In addition to consolidating and intensifying friendly and trade relations between the two countries, the agreement will significantly aid Guatemala's balance of payments and the development of important projects in the country.

The loan will have a 50-year term, including a 10-year period of grace, at a 0.75-percent annual interest rate, the report concluded.

42 Bodies Found in Capital Within 72 Hours

PA2606193890 Guatemala City Teleonce Television in Spanish 0400 GMT 21 Jun 90

[Text] More mutilated bodies showing multiple signs of torture were found this morning. Two were found at La Gloria Bridge, near the Rowing Federation's headquarters, Amatitlan Municipality; and two more were found at km 27 on the road to Santa Elena Barillas.

Firemen reported at noon the discovery of another body at km 22 on the road to Palencia Municipality; and municipal firemen reported the discovery of a man's body on the road to Puerta Parada, Fraijanes Jurisdiction. The body had bullet wounds.

Over 40 bodies have been found in the outskirts of the capital within 72 hours, not to mention others found on 15 June in neighboring municipalities. More bodies were found in San Isidro, in the town of Santa Rosita. It is believed that this is the work of a death squad because several of the victims had a long police record.

Government Minister Carlos Morales Villatoro does not believe so, and he said that the increase in violence is because of illegal immigration and the electoral process under way in the country.

[Begin Morales recording] We believe that the increase in violence is a result of the political and electoral events that have been carried out in recent months. Today we visited the National Congress to request modifications to immigration laws. We think that we face a critical problem with illegal immigrants and that this has resulted in unemployment. It also affects the country's economic, social, and housing situation. In other words, we think that this is what has caused the increase in violence. [end recording]

Honduras

Argentines To Help Monitor Gulf of Fonseca

PA2606234290 Panama City ACAN in Spanish 1826 GMT 24 Jun 90

[Text] Tegucigalpa, 24 Jun (ACAN-EFE)—An Argentine Air Force plane arrived in Honduras today with 25 Argentine sailors on board. The sailors will use speedboats to patrol the Gulf of Fonseca (on the Pacific Ocean) to assist in supporting the Central American peace agreements.

The Argentine sailors arrived to reinforce the operations of the UN Observer Group in Central America (ONUCA), whose members are concentrating their surveillance on the "security" zones in Nicaragua and in the camps of anti-Sandinist civilians in Honduras.

According to official sources, the South American contingent will have four speedboats that will arrive at Boca de Henecan, a small Honduran port in the southern part of Honduras, on 27 June.

The Argentine sailors are scheduled to begin their patrol operations immediately after receiving their boats.

The work that the Argentine sailors will conduct is considered "important" by Honduran diplomats, because the Gulf of Fonseca is a conflictive and strategic region that Nicaragua, Honduras, and El Salvador have access to.

During the 1980's, the Salvadoran authorities accused the former Sandinist government of Nicaragua of using the Gulf of Fonseca to supply weapons to the Salvadoran guerrilla movement, although El Salvador failed to furnish evidence of its accusations.

The U.S. Army set up a radar station on the Honduran island of El Tigre to watch the region. The radar station is still operating.

The Gulf of Fonseca regained notoriety last week after an outbreak of tensions between Honduras and El Salvador; both countries are engaged in a quarrel over a border.

A Honduran Navy member has even revealed that the area has been the setting of small military "incidents" among Honduran, Salvadoran, and Nicaraguan coastguards. It is expected that the surveillance of the Argentine sailors will contribute to peace in that area, where the ONUCA presence has been nonexistent.

Labor Federation Threatens Strike 28 Jun

PA2606141490 Panama City ACAN in Spanish 2341 GMT 25 Jun 90

[Text] Tegucigalpa, 25 Jun (ACAN - EFE)—An influential Honduran labor federation today decided it will begin a general strike on 28 June if the Callejas administration does not solve two serious labor conflicts in favor of the workers.

The decision was made by the Trade Union Federation of Northern Honduran Workers (Fesitranh), which is formed by 54 labor groups and which held a general assembly in San Pedro Sula, 242 km north of Tegucigalpa.

The strike agreement is in solidarity with health workers who have been on strike for the past 15 days to prevent the privatization of some hospital and medical services.

The Fesintranh also supports the strike begun today by the union of workers of the Tela Railroad Company. The workers of the multinational banana company are demanding that they be given wage increases and that their labor contracts be respected.

The Fesintranh, which in the past has been progovernment, is demanding that "instead of repressing the workers, the government should contribute to solving the workers' problems with respect for the labor laws."

Meanwhile, Labor Ministry officials indicated that "strikes in solidarity with other organizations are prohibited in Honduras." They also said the government plans to seek a "quick" solution to the current labor conflicts.

Nicaragua

Demobilization Completed in Several Zones

PA2606195990 Managua Sistema Nacional de Television Network in Spanish 0200 GMT 26 Jun 90

[Text] The total disbandment of the Nicaraguan Resistance [RN] will be completed with the demobilization of Commander Franklin and approximately 100 RN members, as well as with the destruction of heavy weapons such as surface-to-air missiles. This is reportedly to take place on 26 and 27 June.

ONUCA [UN Observer Group in Cental America] forces will destroy the heavy war weapons in El Almendro tomorrow.

ONUCA spokeswoman Angelica Hunt commented on this:

[Begin Hunt recording] When the term heavy weapons is used, we are referring to surface-to-air missiles, known as SAM's or Redeyes. The RN has already delivered approximately 12 of them, and another 59 are being held at security zone five. All of them will be rendered useless. [end recording]

The demobilization of Commander Franklin and 100 of his men is scheduled to take place in San Pedro del Lobago on 27 June. In addition, 1,000 Southern Front fighters will be demobilized in zone eight.

According to ONUCA officials, 514 people were demobilized in zone eight yesterday. This makes an overall total of 17,523 demobilized RN members. The demobilization process has already taken place in zones one, two, three, four, six, and seven.

Sandinist Labor Leader Announces Strike

PA2706043490 Managua Radio Sandino in Spanish 0000 GMT 27 Jun 90

[Interview with Secretary General of the Sandinist Central Organization of Workers Damaso Vargas by Elizabeth Romero; place not given—live]

[Text] [Romero] Workers from different sectors of the country have marched to the Pedro Joaquin Chamorro Square, where delegations of workers have gathered to announce a general strike. Here is Damaso Vargas, secretary general of the Sandinist Central Organization of Workers. Damaso, what has prompted your stance?

[Vargas] The government today again announced the suspension of talks scheduled to resolve the basic problems that affect the industry, contruction, commerce, and service sectors, as well as all the economic sectors of the country.

[Romero] Is this an indefinite general strike?

[Vargas] The government gives us no other alternative but to employ the means used in a union struggle. The great national assembly of the National Workers' Front [FNT] decided to call a staggered strike beginning today. Workers dismissed over one month ago by Presidency Minister Antonio Lacayo are surrounding the Presidency; he closed the Presidency offices throughout the country, affecting over 400 workers. This assembly called a staggered strike that will culminate in a general strike unless our demands are met. We are going to support the delegations of government workers who have surrounded the Presidency.

[Romero] What are your demands?

[Vargas] The FNT's demands are as follows:

1. Financing to reactivate the small, medium, and large-scale industry and handicrafts industry, which will permit us to increase production and wages.

2. A $200 minimum wage because, according to statements by Central Bank Manager Francisco Mayorga, the government has received over $900 million to revitalize production. Workers cannot continue to suffer the effects of the economic policy of Mayorga, especially when there is so much money in the country.

3. The reactivation and opening of new construction projects and the payment of over $2 million that government entities owe to national construction enterprises and private construction companies.

4. The government's financial support of the basic service enterprises, such as transportation, water, energy, and other service-oriented companies.

5. The suspension of Decrees 10-90 and 11-90 to insure the preservation of the PP [not further identified] and the rights to own housing and land, and the preservation of rural daycare centers, cooperatives, and other benefits. By doing this, the government will insure the successful completion of the agriculture cycle.

6. The reenactment of Civil Service Law 70 to guarantee employment stability for public workers.

7. Greater health and education budgets to insure these services are provided to the population free of charge in addition to the government's compliance with the collective bargaining agreement in these areas.

8. The reclassification of public service positions.

9. Adjustment of the pensions of retired people, war maimed, and the mothers of martyrs.

10. A halt to the rampant devaluations and the increase in taxes and service rates, which place small businesses and industry on the verge of bankruptcy.

11. A larger budget for the judiciary branch that will insure the fair administration of justice.

12. Higher salaries for policemen, noncommissioned officers, and soldiers, and employment opportunities for discharged soldiers, who may be relocated in the National Police.

13. Respect for the freedom of expression and information and for the people's will. Extravision, Radio Ya, and Radio La Primerisima have received threats from government officials.

[Romero] When will you conclude this staggered strike?

[Vargas] The conclusion of the strike will depend upon the government's total and absolute compliance with all the aforementioned requests. We are not going to accept partial solutions. Either they meet all of our demands or the general strike will continue indefinitely.

Godoy Calls Chamorro Government 'Shaky'

PA2706041790 Tegucigalpa Televisora Hondurena in Spanish 0400 GMT 26 Jun 90

["Exclusive" interview with Vice President Virgilio Godoy by unidentified reporter during "Topics and News" program in Tegucigalpa on 25 June—live]

[Text] [Reporter] Mr. Godoy, does Nicaragua have a strong government with Violeta Chamorro?

[Godoy] No. To be (?completely) honest, no. The government is still shaky, because the task of reversing everything that was done during more than 10 years of domination by the Sandinist National Liberation Front [FSLN] cannot be accomplished by a new government in two months. At any rate, this government has popular backing and is trying to promote the changes demanded by the country.

[Reporter] Mr. Godoy, to what extent could we say that Mrs. Chamorro has assumed command, but not power?

[Godoy] I think you are right. We can say that she has assumed what can be described as the administration, or government. However, we must remember that the army, the Nicaraguan Armed Forces, were built in the image and likeness of the FSLN and tailored to its interests. Therefore, as long as the Armed Forces remain as they are, power will evidently remain in the hands of those who formally left the government after the electoral defeat, but still retain an extremely important share of power.

[Reporter] Was that share of power granted by Mrs. Chamorro?

[Godoy] No, I would say not. They are being tolerated perhaps, because she has not been able to move faster, so to speak, to dismantle the Sandinist power machinery.

[Reporter] You have made statements criticizing some of President Chamorro's decisions, particularly that of appointing General Humberto Ortega [to be Armed Forces chief of staff]. Are there any disagreements between you and President Chamorro because of this and other criticisms you have made?

[Godoy] Actually, I would say I maintain good relations with Mrs. Chamorro, despite the disagreement you have pointed out. It stems, I should say, from very simple reasoning. During the campaign, we promised to the electorate that we would replace the commands of the military and security apparatus. This has not yet been done and Gen. Ortega's confirmation represented a refusal by us to comply with our promise to the Nicaraguan people [word indistinct].

However, this was not a simple, capricious promise. The Nicaraguan people associate Gen. Ortega's image with the violence and the war. Furthermore, on various occasions Gen. Ortega has reasserted his militaristic tendency, which the Nicaraguan people in general reject. Therefore, separating him from his post and retiring him looked like something that could not be postponed. It was a way of signaling to the Nicaraguan people that we were taking the first steps in that direction.

[Reporter] Why is Ortega still Army commander in chief?

[Godoy] Because there was an agreement made with President Chamorro's campaign chief—what was called the transition protocols—allowing Ortega to remain on for a prudent amount of time—we do not know exactly how this time can be measured—while a formula was found to keep a balance of power in the country.

[Reporter] Does it seem like a good idea?

[Godoy] That depends on the viewpoint. Surely Ortega would say it is an excellent idea.

[Reporter] What about you?

[Godoy] Not me, because it means a certain degree of settling-in by the FSLN with the military and security apparatus.

[Reporter] Is the new government of Violeta Chamorro in collusion with the FSLN?

[Godoy] That would be putting it too harshly. It seems more like a way of living [modus vivendi] has been created, whereby for a limited amount of time, the new government favors the stepped-up presence of the old regime until it is able to attain a firmer position.

[Reporter] You say that an agreement was made with the FSLN by the transition team. Am I correct in saying it was Mr. Antonio Lacayo? How much power within the new government does Mr. Lacayo have to make agreements with the FSLN?

[Godoy] I believe Engineer Lacayo has enjoyed and continues to enjoy the complete trust of President Barrios de Chamorro, who gave him this authority to negotiate terms that were not part of the UNO [National Opposition Union] political position.

[Reporter] Did you take part? Were you asked any questions to see what your opinion was?

[Godoy] No, no, not at all, absolutely not. This was one of the things that drew criticism—the fact that these negotiations were made behind UNO's back and without UNO's consent.

[Reporter] Could these negotiations or agreements be a Violeta Chamorro government strategy to negotiate with the FSLN and be able to say: Gentlemen, leave us alone?

[Godoy] This is a procedure Chamorro's own team has used to later be able to have her own way with the FSLN.

[Reporter] Let us speak of your specific role within the government. You were tried politically by your fellow party members over funds you received for political activities. Is this why the president has not assigned you a specific job?

[Godoy] No, not really. It amounted to nothing more than one of those political conspiracies that are the norm during elections. The Adenauer Foundation, which was blamed at the time, publicly clarified three times that no deal had been made. This was simply the type of manipulation that is usual during election campaigns; therefore, this has had nothing to do with the questions you ask.

[Reporter] Concerning political appointments, why is it that when President Chamorro leaves Nicaragua, she does not leave you in charge as President of Nicaragua?

[Godoy] Because the engineers in Nicaragua have now become jurists and some of them have publicly said on various occasions that absence is not the same as not being there because of disability. Absence simply means being temporarily away from the post. As long as this absence is less that 30 days, it will not be necessary for the vice

president to be called upon to take over the running of the government. This view is not shared by anyone, but has nonetheless been working because it is the engineers who are handling the government right now.

[Reporter] Are you satisfied with this?

[Godoy] I am not satisfied, but it is neither of special concern nor a worry to me. Some of us, and here I include myself, have thought that we should give the government an opportunity to try to do what it supposedly is trying to accomplish, without feeling impeded or hindered. That is why not even in this case I have mentioned—clearly a violation of the law—have we been interested in pressing the point.

[Reporter] When you mention jurists, are you speaking of Violeta Chamorro's aides, Alfredo Cesar, her son Pedro Joaquin Chamorro, or her son-in-law Antonio Lacayo?

[Godoy] We are strictly speaking of Engineer Antonio Lacayo and Engineer Alfredo Cesar.

[Reporter] What type of relations do you have with them?

[Godoy] None at all.

[Reporter] What does that mean?

[Godoy] Simply put, it means we do not see things the same way. They have objectives that differ from the agreements signed by UNO.

[Godoy] Is it true that these Chamorro advisers have belonged or presently belong to the CIA?

[Godoy] I think that this also has no basis. No one has said at any time that Engineer Cesar or Engineer Lacayo are members of that U.S. organization. Each at a given time held very close relations with U.S. congressional officials or even the White House or the State Department, but that is something quite normal.

[Reporter] Could your new relations with them be another tactic, something that has the approval of the United States? I am referring to their attitude toward you.

[Godoy] No, I would dare say no. I also have relations with U.S. politicians and officials. I do not think that is it.

[Reporter] Is there any political division between you and UNO?

[Godoy] On the contrary, in addition to being vice president of the republic, I am president of the UNO National Political Council. Therefore, we are trying to harmonize UNO positions so that the government can be straightened out and thus fulfill the commitment to implement the platform that UNO drafted last year.

[Reporter] You said that the discrepancies are not a result of an order from the United States. I am referring to the discrepancies between you and these people, Violeta Chamorro's collaborators. How are things going?

[Godoy] Perhaps they are heading in a direction that seems to be popular in various places around the world. The people who do not participate or have not participated in politics have developed a preference for whatever is apolitical. Such is the case of a good number of members of Mrs. Chamorro's team. They were not members of any political party. They did not have any political preference and had nothing to do with political movements. However, they are people with a great intellectual capacity and a solid academic background.

[Reporter] Are they opportunists?

[Godoy] We simply call them technocrats. They are people who have a solid preparation in their field and think that politicians talk too much and that we do not carry out our tasks on time. They think we take too long to fulfill our duty.

[Reporter] To what extent could it be true that a capitalist government is being formed in Nicaragua and that aristocracy and the bourgeoisie are back in office?

[Godoy] Others would rather call it an oligarchic government, a government consisting of a small group of people with certain last names. However, it is evident that it is a capitalist government. There is no doubt that a broad program to reprivatize property seized by the state is under way. The government's attitude favoring private property undoubtedly places our government in the capitalist sphere.

[Reporter] How do you feel Nicaragua can recover economically?

[Godoy] The reprivatization I just mentioned is one of the paths that we could follow. There are two paths that complement one another, and one of them is international cooperation, which has already been set in motion with the approval by the U.S. President of a $300 million economic package and another $120 million economic cooperation package that was recently approved in Rome. Another package is being prepared in Japan, and there are additional U.S. and European packages that will be used to rebuild the country.

However, this is not enough. We must bring the Nicaraguan people into the reconstruction process, and for this we must motivate them and restore the confidence they lost because of the Sandinists' mismanagement.

[Reporter] By the way, concerning confidence, the government is attempting to adopt measures to ensure respect for private property, but the Sandinist rank and file is refusing to return property under their control. What will the government do about this?

[Godoy] In reality, the government has taken control of a large percentage of the properties that were confiscated or expropriated. However, during the Sandinists' final days in power they distributed other property among members of the ruling party. Approximately 10,000 homes were donated to members of the FSLN...

[Reporter, interrupting] Before surrendering power?

[Godoy] Before surrendering power. During the eight weeks that transpired between the election and the transfer of power, a large number of farming, industrial, and commercial properties came under state control and can be returned to their former owners.

[Reporter] What about the television case?

[Godoy] The television case may be among them because the former owners of Canal Dos recently leveled a complaint.

[Reporter] We will now take a commercial break and return shortly to continue analyzing the internal aspects of Nicaragua's political and military panorama. We will discuss our relations with the United States, and whether or not Nicaragua is truly an independent government. We will be back shortly. [commercial break]

[Reporter] Mr. Godoy, to what extent is the Nicaraguan Government independent?

[Godoy] This is an easy question for me to answer because I do not think that there are independent governments anywhere in the world today. All governments are interdependent, including the largest ones.

[Reporter] But to what extent is the United States the power behind the scenes in Nicaragua?

[Godoy] Naturally, I think that the United States has some influence over events in Nicaragua because of its closeness, as well as its economic cooperation with Nicaragua and for many other reasons.

[Reporter] Is this the case after it overtly supported the UNO?

[Godoy] Listen, this is a story that will be written later. The U.S. support was neither overt, nor as strong as many people think. Therefore, in this regard [words indistinct], but for the fact that evidently a large part of the Nicaraguan economic reconstruction will depend upon the degree and volume of the U.S. economic assistance.

[Reporter] Has the U.S. economic assistance been delayed?

[Godoy] It is normal that the bureaucratic procedures of the world delay things. However, I would say that the Nicaraguan Government is not as dependent on the U.S. Government as some people may think.

[Reporter] To what extent did the United States help destabilize the FSLN after the contra organization was founded, bearing in mind that it now delays the Nicaraguan reconstruction aid package?

[Godoy] Listen, my understanding is that the United States expected to celebrate a Sandinist victory; for them and for many people, the victory of UNO was a real surprise. We suppose that the Sandinists did a good propaganda job, which led the U.S. to think that the position of the opposition was going to get better. However, it seems that an electoral victory by UNO had not been contemplated by the U.S.-prepared scenarios. I attribute the delay in the approval of the U.S. economic aid package to this situation.

[Reporter] The United States did not expect an UNO victory?

[Godoy] They did not include a UNO electoral victory in their plans.

[Reporter] What is the strategy of Nicaragua to fight the foreign debt problem?

[Godoy] I honestly tell you that the only strategy for us is not to pay the debt, because Nicaragua is the country in America and the entire world with the highest per capita debt. We owe close to $4,000 per capita. This is impossible to pay back. We will have to request that the debt be forgiven or rescheduled to get more time to repay part of the debt. However, the problem is twofold—either we pay the debt back or we rebuild the country.

[Reporter] Will these guarantees be considered security for the investment?

[Godoy] Yes, of course. The truth is that we do not yet know how the country got into such heavy debt. By Central America standards, our debt does not compare to that of Guatemala, Costa Rica, Honduras, and El Salvador. I sometimes have the feeling that this may have been caused by the military expenses.

[Reporter] What is the current military budget in Nicaragua?

[Godoy] [Words indistinct] but the military budget represented 60 percent of the national budget a year ago.

[Reporter] In theory, UNO has said it is willing to cut the Army and not spend one penny more on weapons. Is this a real proposal?

[Godoy] Yes. By the way, the Legislative Assembly recently approved a project to cut the Army by 50 percent, which I still do not think is enough. In my judgment, the reduction of the Army should be more radical.

[Reporter] However, the Army's high-ranking officers will remain in their posts. What is going to happen to them?

[Godoy] This is one of the topics of discussion in Nicaragua, because the Army has the number of high-ranking officers that corresponds to an army of 300,000 soldiers. No matter how you look at it, it turns out that the Army can be formed with the group of officers alone.

[Reporter] What is going to happen to them?

[Godoy] They will rejoin the productive civilian life of the country.

[Reporter] Mr. Vice President, to what extent is Violeta Chamorro running the UNO coalition in an orderly and objective manner?

[Godoy] Mrs. Chamorro presides over the government, but she does not run the coalition.

[Reporter] Who runs the UNO Coalition?

[Godoy] The coalition is run by a political council that I have presided over to date.

[Reporter] We understand that the Nicaraguan Liberal Party would be a winning party in free elections. However, this party is divided into several factions. What do you think should be done to unite the party?

[Godoy] It is true.... [changes thought] In Nicaragua there have been traditionally two parties, and more recently, three.

Although the Liberals and Conservatives—the traditional parties—underwent a fragmentation process during the Somoza and FSLN dictatorships, at the present time, for example, the Liberals are conducting a process of intensive negotiations designed to achieve reunification in the near future to present in the electoral and political arena not just a united, but a powerful party.

[Reporter] Do you aspire to be the candidate?

[Godoy] That will be decided in due time. For the time being, we are looking forward to 1993, which is more or less when we have determined to celebrate our reunification, and also the year in which we will celebrate the first centennial of the Liberal revolution in Nicaragua.

[Reporter] What practical and real foundation does the UNO coalition have besides its opposition to the FSLN?

[Godoy] It has one basic foundation that is very important. During the months that preceded the electoral campaign, the parties that comprise UNO realized that Nicaragua requires common efforts to overcome the current prostration to which it has fallen. Therefore, with that futuristic mind, UNO created a government platform in which all the common interests of the various political parties were included. Hence, the existence of that government platform is what keeps UNO united.

Obviously, we cannot expect UNO to remain exactly the same as it was a year ago. It is possible that it may suffer some separations, and it is also possible that it may have new admissions. However, the coalition will remain as such as long as its platform reflects not only the country's overall needs, but the interests of the various parties that comprise it.

[Reporter] Did you participate in the FSLN government?

[Godoy] Yes, for four years and eight months.

[Reporter] As labor minister.

[Godoy] Until the beginning of 1984.

[Reporter] Can you be considered a leftist due to your participation in the FSLN government?

[Godoy] At that time, various sectors participated in the government—technocrats, politicians, conservatives, liberals, social democrats, Marxists. It was a government of national unity, as it was called. That is what it was intended to be. I participated under those circumstances, which did not define me as one thing or another, but simply as someone who was making his own contribution to solve the problems we were facing at that time.

With regard to your question, I must stress that the Liberal Party I am currently proud to preside over is the Independent Liberal Party [PLI]. It is a progressive liberal party, which has remained as such since its creation in 1984. In that sense, it has been described—and perhaps we have also adopted that position—as a center-left organization.

[Reporter] How do define yourself ideologically?

[Godoy] As a liberal—as a progressive liberal.

[Reporter] Center-left, or center?

[Godoy] Progressive. In other words, a liberal who basically has a political stance opposed to other liberals who basically maintain an economic stance.

[Reporter] Is that progressive attitude also in favor of social justice—for example, the interests of the grassroots sectors?

[Godoy] Precisely. That is one of the main characteristics of the party I head.

[Reporter] [Words indistinct] the same as Violeta Chamorro at this time?

[Godoy] No. Mrs. Chamorro does not have a party, and if she did, it would most likely be a conservative party. Aspects related to social problems are not given the same emphasis by this government as by the PLI.

[Reporter] Is there still a privileged minority in Nicaragua?

[Godoy] I believe that there is still some of that, although it may not have the same weight as in other countries, including in Central America, where economic oligarchies have a marked influence.

[Reporter] How do you think you are viewed by the Sandinists at this time?

[Godoy] Probably as their main adversary.

[Reporter] As a traitor?

[Godoy] No, because I cannot betray something to which I have never belonged. I have never been an FSLN member. I have always been a PLI member. However, they see me as someone...[changes thought] As the

former interior minister once said, they consider me the most dangerous person in the country.

[Reporter] We would like you to tell us why the Nicaraguan Government decided to participate in the [word indistinct] in the Honduran-Salvadoran dispute over the Gulf of Fonseca.

[Godoy] I understand that this is simply because of the fact that the gulf is shared by El Salvador, Honduras, and Nicaragua. Also because the Nicaraguan-Salvadoran border includes that area.

[Reporter] Does Nicaragua border with El Salvador there?

[Godoy] Of course it does. The borders of both countries meet at the Gulf.

[Reporter] In Nicaragua you have been known and described as a man with a violent temper.

[Godoy] No, I have a firm temper. I have a firm temper.

[Reporter] Then you are just controversial?

[Godoy] Yes, that is right, but I am not violent. I am very firm and consistent in my firmness. This makes people think that I am perhaps too demanding.

[Reporter] I would like you to clarify this whole situation about the group of—we were discussing this with Carlos [not further identified] at the beginning of this interview—[one-second break in reception] of your party presented an accusation against you before the Nicaraguan courts. As far as I know, the courts in Nicaragua are still in the hands of the Sandinist Front.

[Godoy] That is correct.

[Reporter] Do you think that this is a conspiracy against you?

[Godoy] It was a political conspiracy first to prevent me from running as a vice presidential candidate and then to prevent me from assuming office as Nicaraguan vice president after the 25 February elections.

[Reporter] [Words indistinct] in any case [three-second break in reception].

[Godoy] The truth is that there are [word indistinct] legends in all political parties and we have our own legends. [Two-second break in reception] This happened there and only [words indistinct] the party, because there was a constant incorporation of individuals who created strain within the party.

[Reporter] Is there much quarreling and disagreement between the groups [word indistinct] and Violeta Chamorro? Do they have the support of the president?

[Godoy] [Two-second break in reception] No, Mrs. Chamorro has not gotten involved in that.

[Reporter] Are you a vice president without any real power?

[Godoy] No. I have my own attributes and they have sealed the [word indistinct] and in the Central American treaties.

[Reporter] Why is your office located outside the presidential palace?

[Godoy] Because there is no regulation establishing that the offices of the president and the vice president have to be right next to each other. Simply, Mrs. Chamorro—rather, the Presidency minister decided [one-second break in reception] same place. It was a decision made by [two-second break in reception]. [Words indistinct].

[Reporter] To what extent do they [not further identified] want to neutralize you?

[Godoy] Perhaps this deals with the same aspects I was discussing before. I am essentially a politician and the [word indistinct] I was referring to are experts. We approach things differently and this has created a division. The politicians are on one side and the technocrats are on the other.

[Reporter] That struggle among opposition, technocrats, and politicians, [words indistinct] how long would it take you to decide to resign from your post?

[Godoy] If someone thinks that I am going to resign from my post for that reason, they are wasting their time. I was elected by the Nicaraguan people, and I owe them, not the members of the current administration, an explanation for my activities. I am not going to resign.

[Reporter] Mr. Vice President, do you think the Sandinists could win the upcoming elections, taking into account that they are the biggest party in Nicaragua?

[Godoy] No, they have no chance, and my opinion is not mere talk. In my opinion, the Sandinists received fewer votes than it was reporterd that they received. After our victory, however, we did not feel like arguing and fighting over that issue. We felt that it would further dampen the situation, so we did nothing. We did not fight about the manipulation that took place after the voting period.

In addition, the fact that they lost the elections, though they keep [word indistinct] has made them lose political importance. Labor unions that were affiliated to the Sandinist Central Organization of Workers have been taking different roads. Public employees, who attended the Sandinist demonstrations because their names were called on a list, are showing that they were not real Sandinists. There are other examples. In fact, within the Armed Forces there is a small current, the members of which could be called legal or constitutional advocates, because they claim that they want to play the role that the law has established for them, and stop being, let us say, a political branch of the Sandinist Front within the Armed Forces.

[Reporter] But not exactly an army?

[Godoy] We could call it a [word indistinct].

[Reporter] If your government decided to hold elections in Nicaragua right now, would the Sandinists win?

[Godoy] No. They would not even get half of the votes they supposedly received in the 25 February elections.

[Reporter] The Nicaraguan private sector has said that it is not fully supporting Violeta Chamorro because of Humberto Ortega's presence as head of the Nicaraguan Defense Ministry or at least as head of the Army.

[Godoy] Obviously, each group has its viewpoints. Consequently each group exercises pressure to fulfill their demands.

[Reporter] What do you think of the trend over the past few years, of the opposition in Central American countries—described as conservative or rightist—being elected to power?

[Godoy] I do not think that is an accurate description. Usually, when someone says so and so is a rightist or a leftist, they seek to disqualify the opponent using rhetoric. Who can be described as a rightist and as opposed to what? As opposed to Moscow, Beijing, or Albania? Who can be described as a leftist and as opposed to what? As opposed to Chile, the United States, or Paraguay? Everything is relative and we must take that into account, because sometimes we are not being fair when we simply label someone as a leftist or a rightist. In addition, as I said before, the establishment of political categories is simply a tool intended to disqualify the opponent.

[Reporter] Since you were a rightwinger, how would you describe the governments of Central America?

[Godoy] I would say they are centrist governments. They are trying to stay away from the extremes to avoid falling into the hands of [word indistinct].

[Reporter] They are all speaking of readjustments, new development programs...

[Godoy, interrrupting] They are all speaking about exactly the same things, but you should note that the FSLN spoke about the same things before leaving power. Starting in 1987, the Sandinists began speaking of structural adjustments with guidelines that seemed to follow the IMF rather than CEMA.

[Reporter] They had no other choice.

[Godoy] They sounded more like rightwing Sandinists when they were calling themselves Marxist-Leninists. What are they really? I believe that governments today are much more pragmatic than before. That is a much more advisable attitude to adopt for those who are trying to correct the social breakdown in their own countries.

[Reporter] Mr. Godoy, before saying goodbye, what would you like to tell the Honduran people?

[Godoy] I could tell them that we are very pleased to see the political changes taking place in Nicaragua, because this contributes to restoring the traditional excellent relations that have existed between Nicaraguans and Hondurans. It also contributes to peace in Central America over the short term. Events in Nicaragua have not only adversely affected the Nicaraguan people, they have also affected El Salvador, Guatemala, and this country as well. You have already seen how the Nicaraguan Resistance [RN] fighters have returned to Nicaragua. They have laid down their weapons and demobilized. They are now participating in productive activities. We hope they can settle down quickly so they can live amid a climate of freedom, even though we may continue to be poor for a moderate amount of time.

[Reporter] Mr. Godoy, good luck in the political, military, and economic climate in Nicaragua. We hope the problems between technocrats and politicians can be resolved.

[Godoy] We hope they can be solved, and I hope that relations between Honduras and Nicaragua continue to improve each day.

Article Denounces U.S. Economic Plan

PA2706010190 Managua BARRICADA in Spanish 24 Jun 90 p 3

[Article by Ignacio Gonzalez Janzen: "From the Chamorro-Bryan to the Baker-Chamorro"]

[Text] Nicaraguan President Violeta Chamorro has returned very pleased from her trip to Guatemala, where she participated in the first Central American economic summit on 16-18 June. In Guatemala, President Chamorro met with U.S. Secretary of State James Baker to learn about the "principles and mechanisms" the United States is proposing to help the region within the framework of a program called G-24.

Mrs. Chamorro said that Nicaragua will benefit from the U.S. assistance program, which has already had good results in other countries "that are experiencing democratization processes."

In that way, without further details or explanations, the government engages—at least in an initial way—in a "new" U.S. "project" for the region, which not only has very few "new" things, but also too many old and well-known things to offer. In addition, the project is onerous for the national interests of Nicaragua and the other Central American countries.

We must avoid confusion. The G-24 is not an insecticide for the agricultural sector. It is a pressure instrument to subordinate the Central American governments to U.S. economic and political interests.

The G-24 is a regional "economic assistance" program that, like many previous programs, conditions the granting of loans, donations, and investments to the

approval and application of a long list of recommendations—that can obviously be described as demands—"made by the U.S. Government."

Once again the United States shows itself holding the hands of the Organization of Cooperation and Economic Development (OCDE), the World Bank, and the IMF, with which it forms a stable block and develops a very specific strategy that has been unceasingly implemented.

Even the U.S. spokesmen stated that the G-24 "seeks" to secure or consolidate the political objectives and values shared by the Bush administration and those who wish to be its partners. The U.S. spokesmen add that an organization that would have the United States as its administrator and arbiter should be created for that purpose.

In Baker's opinion, the most important economic challenges in the region include "correcting the macroeconomic imbalances; modernizing the production systems; adapting to the changing international economic world; and restoring historic levels of investment...."

These are specific problems that obviously no government could overlook, but whose solutions would differ according to which interests they mean to secure and consolidate. For example, inside the country the solutions might seek to benefit the interests of the great capitals or the large majorities; abroad the solutions might seek to consolidate the capital of the multinationals or their countries of origin.

The U.S. program does not include or even mention the great economic problems the world is facing, such as the foreign debt crisis or the effects of unfair trade exchange, which are anguishing and condemning underdeveloped and developing countries.

The U.S. program also supposedly seeks to "alleviate extreme poverty and promote balance in the distribution of wealth...." but it does not clearly state how the program could reach those goals if the formulas it recommends have done the opposite in all the countries where they have been implemented. These formulas have not only increased the imbalance in the distribution of wealth, but also the rates of social violence caused by poverty, as in the cases of Argentina, Brazil, and Venezuela.

On the other hand, and taking into consideration the broad and deep conditions of poverty in Central America—caused by the prevailing political and economic systems—the term "mitigate" sounds like crumbs, like a palliative, and reminds us of many other similar programs that have strengthened the hegemony of capital and were detrimental to social justice.

This program is much more aggravating for Nicaragua because it proposes destroying a production model that was sponsored by the revolution, abolishing the People's Ownership Area (APP), and reinstating old profit and usury patterns.

Chamorro-Bryan/Baker-Chamorro

Meanwhile, the government confirms its dangerous submission to the U.S. imperialism's will by accepting demands and conditions that represent an affront to our national sovereignty and the enforcement of democracy. Violeta Chamorro has copied the behavior of Emiliano Chamorro, who signed a shameful treaty with the United States in 1914—the Chamorro-Bryan Treaty—formalizing the North American mandate in the country's internal affairs in exchange for $3 million.

The Chamorro-Baker agreement, like the Chamorro-Bryan agreement, lets the United States decide what the Nicaraguan authorities must and must not do; and what the United States can or cannot do in Nicaragua.

The policy was accepted by members of the current administration a long time ago; and their opposition to the revolution was always subject to Washington's interests and policies. In fact, the U.S. media reported the way in which Bernard Aronson, Assistant Secretary of State for Inter-American Affairs, treated President-elect Violeta Chamorro—even before the current government had been installed.

Let us recall that on 27 April, THE NEW YORK TIMES reported that "in a meeting with Mrs. Chamorro early last week, Aronson firmly told her that the $300 million in U.S. aid would be endangered if she makes appointments that are not approved by Washington."

One week later Violeta Chamorro accompanied Francisco Mayorga and Enrique Dreyfus to the signing of a $12.3 million agreement with U.S. Charge d'Affaires John Leonard and AID Director George Laudalo. The text of the agreement serves as evidence of the U.S. Government's imposition and the Nicaraguan Government's submission.

Referring to a cereal donation, the document said: "The profit resulting from the sale of these products will be used by the Nicaraguan Government to develop programs and policies designed to reduce and eliminate state monopolies and controls in agricultural production; to turn over state-owned enterprises to private hands; and to encourage the development of private credit and technological resources."

This is nothing new. In the 1914 Chamorro-Bryant Treaty the United States imposed, among other things, a humiliating exclusive "right in perpetuity" to build and use an inter-ocean canal in Nicaragua (a super monopoly!); it demanded that the Nicaraguan Government eliminate state monopolies and controls; and it talked about democracy and development in almost the same terms that are being used today.

Press Director on Government's First 60 Days

PA2606170290 Managua Domestic Service in Spanish 1300 GMT 25 Jun 90

[Statement by Danilo Lacayo Lanza, presidential information and press director; place and date not given—recorded]

[Text] Today the government of Nicaraguan President Violeta de Chamorro completed its first 60 days, during which the people were able to see and experience changes. Some store owners and workers told me that, since Dona Violeta assumed office, not many military vehicles or young men in olive drab can be seen on the streets. On the contrary, many youths can be seen in various parts of Managua playing baseball, chatting, or attending parties. This is because Dona Violeta, as her first government measure, suspended the military service. Youths today go about the streets of Managua and all of Nicaragua not fearful of being recruited and sent to war.

Dona Violeta has also succeeded in disarming the Nicaraguan Resistance members. This is a very significant moment. As you know, Dona Violeta visited El Almendro, where she received from the contras the arms with which they had been fighting for years in the jungle and countryside of Nicaragua. Dona Violeta said: The roar of cannons and rifles is over. From now on, we will work for peace and reconciliation only. These men who are being disarmed today will be fully incorporated into civilian life. Their rights will be honored. They will be helped through the development centers and will serve the homeland by participating in various activities and not being armed.

This is very important because, thanks to Dona Violeta's government, the Nicaraguan people are enjoying peace. Even more important is the announcement that Dona Violeta made before leaving for the presidential summit in Antigua, Guatemala. She announced the reduction in the Army. The Nicaraguan people have wanted to reduce the number of Army members for years. The Army should not be a force that consumes the country because, as you know, it is too expensive to maintain.

Dona Violeta has wisely ordered General Humberto Ortega to implement the Army reduction plan. This plan must be carried out step by step because the people must understand that Dona Violeta will gradually place the discharged military men in various areas. The youths will return home to their parents. It will be necessary to find jobs for these discharged military men. We are dealing with 40,000 men who will be discharged this year. This represents a great step forward in Nicaragua, which has a history of beefing up, not reducing, armies. For the first time, the Army is being reduced in size. It is worth mentioning that Dona Violeta pledged to do this in her campaign and is fulfilling her promise. This is what she described as the definitive pacification. It is important for the people to appreciate these fundamental facts.

Despite small devaluations, inflation has been checked. The black market has not skyrocketed as it did in the past. We see peasants bringing their rice and beans to the market. This is something we did not see for years. Today peasants can sell their products without worrying about them being confiscated. This is the result of Dona Violeta's government, which has created the peace and freedom of expression now existing in Nicaragua. Never before in Somoza's time and even less in the time of the Sandinists was there so much freedom of expression. When one listens to the various radio stations, regardless of their political inclinations, one hears criticism against the government. Yet nobody censures those stations. No one censures newspapers. There is no restrictive law here. There is no [words indistinct] or Ministry of the Interior that censured all media in the past.

You must have noticed that freedom of expression is also honored on television. Just as there is a national newscast, there is also a newscast with a Sandinist tendency. There is a Sandinist-oriented program called Vistazo Semanal which is aired on television. This is part of democracy and respect for ideas. Dona Violeta promised this and is fulfilling her promise. These are the things that the people should value. We are gradually moving forward. Dona Violeta has fostered vaccination drives through the Health Ministry. Helicopters are being used to airlift the personnel who vaccinate children to rural areas. This is very important. Peace, health, and development are being promoted.

The Nicaraguan people must be confident because Dona Violeta's success in the Guatemala summit is being echoed throughout the world. In other words, Dona Violeta's credibility is indisputable both internally and externally with the help of the EEC. You have been able to see this. We Nicaraguans can rest assured that Dona Violeta will gradually comply with all her promises. Let us keep in mind that the government has been in office for only 60 days. When we complete one year in the government, the people will really see what has happened in Nicaragua. I want to take this opportunity to thank Radio Nicaragua and greet all of the employees of this radio station and all of the Nicaraguan people so that they can rest quietly and confidently in the fact that their president will not let them down. Let us keep in mind that this is the president of all Nicaraguans, the UNO [National Opposition Union], and of those who do not belong to UNO. She is the president of all and keeps a watchful eye over every Nicaraguan citizen. Thank you.

Economic Agreement Signed With Canada

PA2606234190 Panama City ACAN in Spanish 0006 GMT 26 Jun 90

[Text] Managua, 25 Jun (ACAN-EFE)—Today in Managua Nicaraguan Foreign Minister Enrique Dreyfus and Canadian Ambassador to Central America Henry Garfield Pardy signed three economic cooperation agreements for $10 million.

The agreements are aimed at reducing the shortage of cooking oil in Nicaragua, contributing to the implementation of projects to increase the generating capacity of a power substation located in the country's western region, and developing sources of potable water, as well as providing technical assistance.

The agreements will also permit the restoration of the electricity system in the cities of Leon and Chinandega, in the country's west, and Masaya and Granada in the southeast.

Dreyfus thanked the Canadian Government for the economic aid and asked the ambassador to convey his "heartfelt recognition" to the Canadian authorities for their solidarity with Nicaragua.

Dreyfus also brought to the attention of the Nicaraguan authorities the Canadian assistance given in obtaining the $15 million during the Donors' Conference in Rome on 7 June. During that meeting, Nicaragua obtained $116 million to stabilize its economy.

In response, the Canadian ambassador said that it is "a special pleasure" to be able to help Nicaragua reconstruct its economy. He added that he expects an additional $50 million to be offered before the end of the year.

The Canadian Government financed part of the "Momotombo" volcano geothermic project in Nicaragua's western region—which was completed in 1989—with a donation of $10 million.

Cosep President Says Elections Imposed on FSLN

PA2606214590 Managua Radio Corporacion in Spanish 2300 GMT 25 Jun 90

[Text] Gilberto Cuadra Solorzano, the Higher Council of Private Enterprise (Cosep) president, has said that it is very interesting to know that the February 1989 elections were imposed on the Sandinist National Liberation Front [FSLN] by the two major world powers, but it would be more interesting to know who in the Nicaraguan civic opposition received that information.

This means that the elections were held not because they were democratic or pro-Sandinist but because President Daniel Ortega's arm was twisted, and the Sandinists began to prepare for their defeat. The Nicaraguan opposition at that time did not make arrangements to receive the government. Maybe this is why the Sandinists were forced to accept a transition protocol that is a mystery for most Nicaraguans.

Cuadra Solorzano also confirmed that the Russians notified the FSLN Directorate about its agreement with the United States, but the U.S. Government never reported this to the National Opposition Union—or if it was reported, no one knows who received the information.

More on Supreme Court Criticism of Chamorro

PA2606193690 Managua BARRICADA in Spanish 20 Jun 90 pp 1, 5

[Report by Roberto Larios]

[Text] Dr. Rodrigo Reyes, president of the Supreme Court of Justice, yesterday reported that President Violeta Chamorro intends to "violate the autonomy of the judicial branch, strangle it financially, and cut off the power granted to it by the Constitution."

This is how the highest tribunal reacted to Chamorro's refusal to designate two new Supreme Court magistrates, as the tribunal had requested, because the executive branch is planning to "thoroughly revise the judicial branch," an action that would violate the independence of the third state power.

Dr. Reyes said that the courts in Managua and the rest of the country are on the verge of becoming paralyzed for lack of stationery, vehicles, typewriters, fuel, and even pencils because President Chamorro this week reduced even further the already slim court budget, "financially strangling" the tribunal.

"I am puzzled. This is extremely worrisome because the measure has already caused the administration of justice to lag behind tremendously. Such a delay is a serious violation of human rights. This will first be a social problem, but it will later become a political one," Dr. Reyes pointed out.

Reyes yesterday told BARRICADA about negotiations with President Chamorro and Presidential Minister Antonio Lacayo, which started as soon as the court began to notice "dangerous signs in connection with the judicial branch" since the early days of the new government.

On 11 May, Reyes addressed a letter to President Chamorro saying it had unofficially been reported that, in Decree 1-90, which dealt with the creation of the ministries of state, the executive branch "decided" to transfer the public registration duties from the court to the government ministry. This decision was made by the legislative branch. "I told her this would be very dangerous because it would create a conflict between state powers," Reyes said.

Despite the court's warnings, President Chamorro last week promulgated the decree with retroactive effect, thus overruling the legislative and judicial branches.

On 6 June Reyes met with Lacayo to tell him about the court's decision to increase the number of magistrates to nine. Lacayo "completely agreed with this. He even promised to allocate a certain amount to pay for the rent of two new offices in Plaza Espana—where the court operates—to be occupied by the two new magistrates," Reyes added.

President Chamorro, however, yesterday withdrew the lists of names she had presented to the National Assembly and refused to permit the election of the new

magistrates because, according to a letter addressed to Assembly President Dr. Miriam Arguello, "the executive branch intends to make a thorough revision of the judicial branch," an action that is a responsibility of the court itself.

In the same meeting, Reyes told Lacayo about the court's critical financial situation because it only has a mere 0.47 percent of the country's general budget. Lacayo agreed with this and pledged to give financial support to the judicial branch.

Reyes said that he talked with Lacayo on Friday, shortly before Chamorro departed for the presidents' summit in Guatemala, and reminded him of Lacayo's pledge. Lacayo reportedly told Reyes not to be concerned and that Reyes would be visited by Deputy Finance Minister Leonel Rodriguez that very same afternoon. Indeed, Rodriguez arrived with Sonia Hernandez, the program director of the Finance Ministry, who agreed to deliver 100 percent of the operational expenses for the month of June and the allocated portion of the budget.

When Roger Espinoza, the court's secretary general, arrived yesterday to pick up the money, the same Mrs. Hernandez informed him that the budget had been trimmed even further and that only money to cover water, energy, telephone, and payroll expenses would be handed over, "thus virtually paralyzing the judicial branch and strangling it financially."

But the outrage did not stop here. On 1 June, Reyes sent a request to President Chamorro asking her to authorize $1,200 to pay for travel tickets and travel expenses for magistrates Orlando Corrales, Alba Luz Ramos, and Reyes, who would have traveled to El Salvador next week to attend the second meeting of Central American supreme court presidents.

So far the Court has not received a reply to the request. Hence, the Nicaraguan delegation will be unable to participate in the Central American meeting.

"With these actions, the government is not institutionalizing the de jure state. We had hoped that, because of the government's economic improvement announcements made by the Central Bank president and the foreign minister, and the Army's reduction as well, part of the money would be appropriated to strengthen the judicial branch and the de jure state. Apparently we were wrong," Dr. Reyes concluded.

Panama

Vice President Guillermo Ford Speaks on Economy

PA2506234290 Panama City Circuito RPC Television in Spanish 0000 GMT 21 Jun 90

[Interview with Guillermo Ford, vice president and minister of planning and economic policy, by Juan Carlos Duque of LA ESTRELLA DE PANAMA and Migdalia Fuentes of LA PRENSA, with moderator Julio Miller, at the RPC studios in Panama City—live]

[Text] [Ford] Fellow citizens: Today, on the sixth month of the liberating action that wrested us from the claws of the dictatorship, as second vice president of the Republic and planning and economic policy minister, I have deemed it appropriate to talk with all the Panamanian people. I will clearly and truthfully present, with the honesty mentioned by the president of the republic, the conditions that we inherited on that dark night 21 years ago when we inherited the dictatorship and the conditions of the last three years during the dictatorship of Manuel Antonio Noriega.

It is important to emphasize tonight that, although we must make several comparisons with the immediate past of the Republic of Panama, I believe that the previous government is beginning to fade away as of this moment. In other words, we have to compare what we have done with what we have not done in the past six months. From now on we must not present long dissertations or speeches on the country's problems, but offer specific solutions to the grave problems. We are quite satisfied that, thanks to the nobleness of the Panamanian people and the foreigners who have lived among us, the country's economy has been recovering. This trend not only marks a clear path in the direction of the economic boom we have projected, but it is also gradually alleviating the heavy burden of unemployment that hangs over the Panamanian people.

In all sectors of the national economy—some more than others—there are clear indexes of growth. However, until recently we had not received any kind of foreign aid. Tonight we will discuss the programs. We will discuss what U.S. aid means. We will discuss keeping our commitments abroad. The people, whom I have always said are most important element in the country's economic development, have responded spontaneously and firmly. Therefore, we can assert that with the additional funds that we will receive we can foresee a future full of hope and without deceit or exaggerations.

We will also discuss something that the people have demanded for so long and that the central government and the Ministry of Planning and Economic Policy have understood. It is the economic program that will, once and for all, define the clear rules of the game. We will define them clearly and with the help of all sectors that make up the national economy. It is not fair for some sectors of the country to be lacking while others enjoy privileges, subsidies, and other benefits; this distorts our economy.

With this introduction and with a special optimism, I would like to recall the words of a great statesman who said, "The people who know the truth are saved."

Tonight we will face the people with our usual frankness. We have made mistakes, but we are correcting them. The second half of this year will not be one of liberation, but one of economic consolidation. The Panamanian people

will slowly but surely rise to the levels that we have to recover after 21 years of dictatorship.

[Fuentes] Mr. Minister, one of the greatest criticisms leveled at the government by progovernment and opposition sectors is that no one really knows what the government's economic program is and where it is leading. What is your opinion?

[Ford] Last week we presented the economic strategy. However, it is important that those who were justly criticizing the lack of such a program understand that, during the first six months of this year, we have had to work on drafting a budget. The budget is the basic document for directing not only the fiscal plan, but also the plan for the national economy. We must adjust the economy according to the situation in the nation.

We have had to deal with the debt to international organizations that was irresponsibly acquired by the previous government. These institutions are sometimes not completely understood by the people. We are shareholders in these institutions. However, our position as shareholders also imposes on us the duty to pay our obligations. At the end of 1989 these obligations amounted to $540 million. By updating our commitments, we can then count on the necessary funds that will be implemented through the economic program. Finally, we wanted to draft a program that we could discuss with all the sectors of the national economy, including the labor sector.

We met with all the different groups last week. On 22 June we will begin an in-depth analysis because this democratic government does not want to surprise or impose anything on anyone. With great satisfaction, I can tell you that the program was drafted by Panamanians in the Panamanian way. However, it implies sacrifices, not only from the labor sector, but also from the industrial, farming, cattle, and commercial sectors. We are revamping the national economy.

[Duque] Mr. Minister, one of the greatest gifts this government has given us is democracy. Because of this there has been all kinds of criticism and praise for the government. The government is now in its sixth month. There are many complaints by the people. They are dissatisfied for several reasons, especially for the lack of jobs. How will the government drastically attack—in the short term—the unemployment problem and thus allow us to solve the social problems affecting all sectors of the country?

[Ford] One of the basic concerns of the president of the republic and his government team is unemployment, which reached dramatic levels after the 20 December events. We believe it reached 31 percent. There were more than 180,000 people unemployed. This does not count the underemployed—people who are earning less than they were earning before the crisis.

The government has designed an economic program based on the unrestricted support for private industry to create many jobs in the short term. Its can also provide greater job stability. The government cannot substitute private industry as it did during the stage of state paternalism. Chevalier, the minister of commerce and industry, has already completed drafting a bill to install assembly-type industries to create many jobs. They bring in partially processed raw materials to be assembled here for re-export. That bill will be debated by the Cabinet and then be sent to the Legislative Assembly.

Finally, there is something that has created quite a lot of misunderstanding in Panama. We are going to conduct special programs to explain the Special Social Fund to the Panamanian people. It is simply a three-year bridge between the present moment and the stage in which the economy can gradually generate a larger number of jobs on its own. This Special Social Fund program, which will soon go into effect, is an effort to provide employment for up to 25,000 people. I want to make myself clear so that no one will say that I am creating 25,000 jobs. I said up to 25,000 jobs for three years, with $20 million in capital provided by the national government from the donation that it will receive from the U.S. Government and from other donations that should reach $250 million.

In other words, there are a wealth of mechanisms whereby the job market can be increased. The Panamanian people cannot live on crumbs from the government; they require real opportunities to generate jobs so that the economy will be much more dynamic than it used to be.

[Miller] Migdalia Fuentes.

[Fuentes] There are two issues that have proven very sensitive for the private sector in this country; they are the labor code and the housing laws. We all remember that in the past years the feeling was that the government could not generate confidence as long as these two legal instruments were enforced. Mr. Minister, will this situation change?

[Ford] I am going to speak to you with my usual sincerity. I believe that a totally mistaken impression is created when the labor code is portrayed as the source of all Panama's economic development problems. Nothing could be further from the truth. In my opinion, the labor code should be readapted to the realities of Panamanian economy, and I will explain why. However, to say that the sole cause of our economic stagnation is the labor code is, in my opinion, inadmissible. This issue must be analyzed just as we have done with the economic program.

There were distortions in the national economy, not only during the past 21 years, but long before 1968. For example, the labor sector feels that it has made job-related achievements through the code. The business and labor sectors have clashed over this. The businessmen, especially industrialists, based on certain benefits received from the paternalistic government, replaced labor for machinery and thus increased unemployment. I believe that all of the sectors must sit down together and correct the paths they have taken. If the business sector must alter its course, it must contribute to the

corrections that are made. If the labor sector must contribute certain corrections, it must also alter its path.

I am very pleased that during last week's meeting there was an atmosphere of cooperation between the business and labor sectors. However, it is not fair to say that the labor code must be modified to eliminate all of the ills afflicting Panama. The president and his two vice presidents spoke clearly during last year's political campaign. Our intention is to adapt the labor code. I believe that the code must be adapted. However, we should not say that the labor code is the sole cause of Panama's unemployment problem.

Concerning the housing laws, I do not believe in a paternalistic state. I believe that the dictatorship made a big mistake when it arbitrarily froze home leases because this measure did not protect those who needed it. It often protected shameless people in this country who used this pseudo-protection so that in the past 20 years not a single apartment house has been built in Panama. These are the distortions that were created by a paternalistic state that wanted to generate popularity based upon lies and deceit.

I must say, in all honesty, that all subsidies, freezings, and benefits that do not respond realistically to Panama's economic situation are deceiving to the Panamanian people. This must be explained.

I believe that the labor code must be adapted. I believe that the industrial sector will be forced to change certain benefits and subsidies through legislation, and the same must be done in the trade and farming sectors.

Concerning the labor laws, I would be the first to urge the people who have been affected to make modifications because the freezing of rent rates does not protect the poor; it deceives them because it often benefits people who are not necessarily poor but are shameless.

[Miller] Juan Carlos Duque of LA ESTRELLA DE PANAMA.

[Duque] Mr. Minister, some sectors maintain and argue that the country is being subjected to a series of pressures and conditions in order to receive economic aid, especially from the United States. Is this true? Can you tell us the truth?

[Ford] I will always speak the truth, Johnny. I believe that this has been one of the most important points of my life. I prefer to pay the price of truth than the price of lies. I would not say that there are any conditions. I want to be absolutely clear. The U.S. aid package involves agreements. I am going to clearly explain the Panamanian Government's sovereign action. It made an internal decision in March 1990 before the approval of the U.S. aid package was even possible.

The Cabinet enacted a decree giving it control over the movement of all cash through the banks in Panama. All sums over $10,000 must be registered in order to prevent the use of Panama's banking center for money laundering. This was later regulated by the Banking Commission. The United States is now requesting that Panama make available to the United States and to any friendly democracy information from the Banking Commission through the Panamanian courts. Panama is willing to discuss this topic and has been discussing it for three months.

For example, if a money laundering or drug-related crime is committed, specific information on an account can be requested from Panama through its legal mechanisms. Panama sees no problem if, having fulfilled the requirements of Panamanian legislation, the United States or any other country receives this information.

I must be sincere. Everyone has commented that the banking center was used in the past to launder money. This government will not allow this. If the United States requests a reciprocal information agreement that does not harm Panama's sovereignty, jurisdiction, or laws, the Panamanian Government is willing to reach this agreement, which will be open to other countries.

I want to make it clear that the U.S. aid is a donation. Some people think we have to pay it back. The $420 million does not have to be paid back. It is a donation. It can be described as an agreement between the two governments. There is no condition. However, it must be understood that when one goes to a bank to request a loan, the bankers set conditions. They do not give the money away. Therefore, there are some agreements. For instance, the Republic of Panama's economic program must be acceptable to the international organizations and there must be absolute vigilance. This is being carried out by the comptroller through the budget of public costs and expenditures. There should not be any funny business, any irregularities, or any of the past corruption.

I believe that, whether you call them conditions or agreements, they are perfectly normal between two countries. One donates and the other one receives the donation. In my opinion there is no onerous condition that harms Panamanian sovereignty or dignity. I would have been the first one to reject the aid because we would have been able to get along without the $420 million.

[Miller] Migdalia Fuentes of LA PRENSA.

[Fuentes] Mr. Minister, the political situation of Panama at this moment is not the best. There is a lot of dissatisfaction in the opinion of some sectors, perhaps because this government created many expectations at the beginning. There are dissatisfactions concerning the need for employment, the implementation of justice, and other aspects of national life. How will the political situation in Panama affect the economic programs that the Planning Ministry will carry out?

[Ford] First of all, I must tell you that the fundamental thing in any country—particularly in Panama because it has an economy free of all types of restrictions—is a monetary system that permits free entry and flow of deposits and requires social stability. But social stability is not achieved with a big stick. Social stability is achieved on

the basis of carrying out specific actions. I brought here, and I am pleased to share it with all fellow citizens, what I will present to the cabinet tomorrow. The president has already approved this package. Then the honorable Legislative Assembly will be asked, through the budget committee, to earmark extraordinary funds so that in 10 days the following programs may be carried out. They are a direct response to the demands of the people, who are desperate and who want solutions, not any more economic projects. Permit me to explain a few of them.

The city of Arraijan has been affected recently by a highway blockade because for five years the people were deceived. There is a project that will be authorized in the sum of 150,000 balboas to resolve the water problem in Arraijan. The problem of Tocumen is the totally abandoned neighborhoods. We have 1,250,000 balboas to resolve the potable water problem in Tocumen. What about Colon which needs so much? The problem of the drainage system for rainwater in the city of Colon will be fixed with 2,400,000 balboas. There are 100,000 balboas for pumping equipment for the Colon sewage system and 160,000 balboas for improvements in the Amador Guerrero Hospital.

Allow me to say that a condition for public bids will be that the greatest amount of manpower must be contracted in the area where the projects are to be carried out.

Improvements to the road system in San Miguelito will be made with 1 million balboas. The conditions there are shameful. We have 150,000 balboas for the health center in Valle Urraca. The Santo Tomas Hospital is literally falling in the city of Panama. We will authorize 1 million balboas to immediately modernize the hospital. There are 300,000 balboas to modernize the Nicolas Solano Hospital in Chorrera, which is the only health center between Chorrera and Cocle. There are 100,000 balboas to modernize the Aquilino Tejeira Hospital in Penonome. A total of 1 million balboas will be used to totally modernize the regional hospital of Azuero, which is practically destroyed. There are 200,000 balboas to build bridges and sewers in the city of Santiago. There are 600,000 balboas to build the San Jose Bridge in Puerto Armuelles. There are 100,000 balboas to build the Empalme Health Center in Changuinola. There are 230,000 balboas to totally build the Aligandi Hospital. I want to emphasize something. Some 9,200,000 balboas belong to the national government. We achieved this through rationalizing expenditures and eliminating corruption. These will be the solutions that will be implemented in 10 days by the state ministers. They will be quickly implemented to give an answer to the citizens. The speeches are over, Migdalia. The coming six months will involve the government actions of President Endara's government.

[Miller] Juan Carlos Duque of LA ESTRELLA DE PANAMA.

[Duque] Expanding a bit on Migdalia Fuentes' question, Mr. Minister, it would seem as if during these six months there has been a lot of talk of politics and of the past, but very little of the present and the future. It reached the point that during the past few days we have heard a lot of arguments and debates regarding the constitutional reforms.

It seems as if the politicians are giving more importance to the constitutional reforms than to the economic strategies of this country. Is the government able to put into practice [words indistinct] in a quick manner that will prevent these reforms from being set aside, and the Panamanian people will not support these constitutional reforms?

[Ford] In all sincerity, the constitutional reforms are part of the political problem. The economic issues are my direct responsibility. I insist that if the people's economic problems have not been solved, the people are unsatisfied. Therefore, the constitutional reforms and any other reforms are senseless.

However, I believe we have to work together. We have forgotten that the 1989 electoral process is not over yet. Two new magistrates of the Electoral Tribunal have to be appointed and complete the process in those circuits where the legislators have not been appointed yet.

Therefore, we have a series of political problems that we must gradually solve. We must not forget that there was not a normal transition period for this administration. We had seven hours to get organized. Many people have invested body and soul into solving Panama's problems. We had much to learn, and many had to issue orders while moving on.

I believe that any minister or public official who right now says he is not able to work must be dismissed because he is incompetent. If after six months in office, he does not know what this is all about, he does not deserve to be in President Endara's administration.

I have full confidence that these programs I have mentioned have the support of the National Economic Commission. The comptroller general of the Republic is familiar with them. In other words, it is not just another television program. It is encouragement for the Panamanian people.

We are heading toward overall normalization. For example, the banks will be normalized on 10 July. The savings accounts have been normalized without foreign aid. The banks will be normalized because the Panamanian people are convinced that they must believe in Panama and work for Panama.

To answer your question: I believe that the officials who are not capable of developing the plans that they themselves presented to the Planning Ministry should have the dignity to resign so that more qualified persons may replace them.

[Miller] Migdalia Fuentes of the daily LA PRENSA.

[Fuentes] Minister Ford: A few minutes ago you talked about the rationalization of all government resources. You have mentioned some entities that should be privatized. However, there are other entities that do not generate resources and have often become great burdens for the government, from a labor perspective. What policy will the government follow to make the work of the government's institutions more effective?

[Ford] In the first place, I want to avail myself of this opportunity, Migdalia, to address the distinguished employees of Intel [National Institute of Telecommunications] who blocked Via Espana traffic yesterday for no reason. I say for no reason because nobody has said that Intel, IRHE [Institute of Hydraulic Resources and Electrification], or Idaan [National Water and Sanitation Institute] are even being considered for privatization. We do not fear anything, but we believe they are public utilities. They are not being analyzed at all for privatization.

I believe the time has come in Panama where we must speak frankly. We should not be afraid of each other. It is as if the phantom of the labor unions were monsters, but they are not monsters. I believe we have to converse. We must hold dialogues in order to understand each other. It is inconceivable that the labor unions impose the rules of the game on the state institutions. The government can also not ignore the labor unions.

There must be respect and dialogue. I can speak for IRHE, as I am the chairman of the IRHE board of directors. I am proud of my relationship with the IRHE labor union. I have told them frankly that I cannot and will not accept impositions from the IRHE labor union. I am also a member of the Intel board of directors. I will not accept any impositions there either. I do not think the government should impose anything.

Privatization is a concept that as people see how it is evolving and as the mechanisms of privatization become clear—by the way, there are representatives from the workers in the commission we appointed for the privatization of some enterprises—the people will understand it.

A few months ago, I said on this same channel that there are some people who fear the unknown for fear of losing their jobs. I have always said that anyone who is competent should fear nothing. He will continue working in the same institution.

[Miller] Juan Carlos Duque, of LA ESTRELLA DE PANAMA.

[Duque] The national development and economic modernization strategy is your ministry's plan. Does it entail a drastic change in the economic structures of the country? Does it entail sacrifices on the part of the industrialist and businessman?

[Ford] First of all, it means a 180-degree change of course: From a paternalistic producer state to a state that supports private enterprise. It is a radical change in concept. I believe that like anything else in life, we must make some sacrifices before we achieve anything substantial. I believe it will require an initial sacrifice. We must open the market. We must have a market that will consume more. We cannot continue working with old patterns.

I will give you an example from the agricultural sector. The selling price of rice is established on the average. The inefficient producer has high costs, while the efficient producer has lower costs. If an average is figured out, who will receive the benefit? The efficient producer. This means that the inefficient small producer is not receiving the benefit of that lack of efficiency.

There are industrial enterprises in Panama that have enjoyed benefits beyond all reason. We must make this more adequate. I am sure that the Industrialists Association [SIP] has said before that we must gradually begin to compete with imported goods. We cannot allow our industries to grow based on expensive products that are costly for the consumer.

As I said at the beginning of this program, we must all sit down to see what we are going to give up. Will we give up the Labor Code? What will the industrialists and the businessmen sacrifice?

To answer your question: There will be an initial sacrifice. Farmers cannot harvest the day after they plant. We must take advantage of these situations. During the next three years we will have extraordinary foreign revenues that will contribute to internal growth and accelerated economic growth.

My humble opinion is that this is the right time to correct all the problems that the national economy has endured for so many years.

[Miller] Migdalia Fuentes has the floor.

[Fuentes] Mr. Minister, there is an enterprise related to the economic activity of Panama City particularly because it is a city that makes its living from the service sector. I am referring to the Dima [Metropolitan Sanitation Directorate]. For many months, the Dima has told the country that it does not collect the garbage because it lacks the equipment necessary or the means to carry out its duties. However, you did not include this case in the list of economic emergencies that you just presented. Could you tell us why?

[Ford] I must be very honest with you. We primarily focused on the greatest collective needs of the people, and we understand the big problem the Dima has. We have discussed several alternatives for the Dima.

However, there were some suggestions to modernize the Dima that implied its privatization which caused great alarm among the people, just to give you an example. Thus, I call on all directors and officials of government entities to listen to different ideas. Let us not make any commitments. What we cannot hastily do is buy equipment without first having definite programs. If we do so,

we will end up with a situaton similar to what exisited in the past, where the trucks that did not have a spare tire were abandoned.

I agree with you. I think that once the programs begin, this is the next step. In the beginning of the economic program, we will be using our own money. Once we begin implementing the U.S. assistance program—I believe the first aid package should be signed in the next five or six days—I assure you that the Dima will be included among other additional assistance programs. We will request the Legislative Assembly to approve these other programs.

[Miller] Juan Carlos Duque, of the newspaper LA ESTRELLA DE PANAMA, has the floor.

[Duque] Mr. Minister, could you tell us something about the government's economic program for the agrarian sector, taking into account the growing emigration of peasants to the capital in the last few years?

[Ford] I think that the problem is integral and conceptual. First, let us identify some of the enormous deficiencies that existed. The friends of the former leader were the only ones authorized to export cattle. The cattle export quotas took away the incentives from the cattlemen. The coffee export quotas were negotiated, and they favored the friends of the regime and negatively affected coffee producers.

The health and education sectors were neglected in the countryside. Thus, our policy is not only intended to benefit the agrarian sector—the livestock development minister has explained in detail the agrarian policy that was included in the national development plan—but also to allow people to return to the interior or at least not emigrate to the cities of Panama and Colon.

In the meeting scheduled to begin on Friday, 22 June—we have obviously invited the important agrarian sector—we are to establish the procedures and deadlines for the various projects.

I think that the agrarian sector is one of the most important sectors and it deserves the support of the government, but we must stop thinking about subsidies. Let us stop thinking about free benefits; there cannot be more benefits as long as the national reality does not permit it. To falsely make a sector of the economy grow is to inflate a baloon until it pops. I believe the people's sacrifice that we mentioned earlier should play a part. Each sector will contribute something that will ultimately benefit all sectors nationwide.

[Miller] Migdalia Fuentes of the daily LA PRENSA has the floor.

[Fuentes] In general terms, could you tell us what policy the government will follow for the payment of the public debt and what the government will do to stop the use of international credits?

[Ford] First, it is the policy of the Ministry of Planning and Economic Policy not to apply for new loans—even after receiving loan offers—because our number one priority is the repayment of our obligations to the three international financial institutions—namely, the World Bank, International Monetary Fund, and the Inter-American Development Bank. Why is this? In the measure that we repay the aforementioned amount, $540 million, and continue to make prompt payments, Panama will again be able to request credits. The traditional sources for soft loans that offer favorable long-term repayment conditions will help the country carry out great development projects.

We are structuring a so-called support group to help Panama repay its overdue obligations as follows: Panama will pay $130 million, which we have already set aside; the United States will donate $130 million as part of the economic aid package; and we have invited Japan, China, and the EEC countries to donate $130 million. The remaining $150 million will come from a loan from the U.S. Government to repay the $540 million.

From that amount, Panama is only contributing $130 million and will be paying off $240 million, which brings us up to date. We are already working with these three institutions on the programs that will be implemented in October and November, and we are working eagerly to form the support group. The first vice president will be traveling to Europe, and I have asked him to visit the countries that we have invited to join the support group because we hope to hold a meeting in July to obtain the $130 million and to complete the group.

We also have a debt of over $2 billion with the private banks. We have not set aside any funds from the national budget for payment of this debt, nor will we pay anything. There are countries that have taken up to three years to reach a final agreement. We are establishing a negotiating team to meet with the private banks and totally renegotiate that heavy burden. This will allow us to pay as little as possible and to refinance the remainder.

In other words, there is going to be a lot of discipline because we cannot continue indebting the country and making it grow based on debt. We will update our payments and resort to the traditional sources, which are the best credit sources.

[Miller] Juan Carlos Duque of LA ESTRELLA DE PANAMA.

[Duque] Mr. Minister: Panama's image has virtually deteriorated during the past few years, for known reasons. What programs or strategies have been drawn up for the tourism sector, which traditionally contributes to improving our image?

[Ford] Tourism depends mainly on social peace, which is an important factor for economic development. Second, there is a vicious circle in Panama regarding what should come first, facilities for tourism, or tourism itself. In my

opinion, there must be facilities first to attract tourism. I believe that one of the biggest mistakes we have made in the past has been believing that by building a hotel we will generate more tourism. We must resort to experts in the world who generate large volumes of tourism, so that they can install hotels and the necessary facilities in Panama. They are also the ones who provide the volume of tourists.

We have just declared Fort Amador an area exclusively reserved for tourist exploitation. However, the idea is not to build a hotel, but to make good use of the geographical location of that important area.

The Panamanianm Tourism Institute and the Ministry of Commerce are working on plans to invite professionals of tourism to Panama. The idea is not opening a night club, a casino, or a hotel. The idea is generating tourism. There are various development plans to be implemented. However, the minister of commerce, who knows more about it, can present those development plans—which are so important for the country—on another occasion.

[Miller] We are running out of time, and therefore there will be one more question from the journalists. After that, we will conclude with your final statement, Mr. Minister. Here is Migdalia Fuentes.

[Fuentes] Mr. Minister: You have mentioned the need for political and social stability to carry out an economic plan. Do you think that there is political and social stability in Panama?

[Ford] Definitely so. I must say that I am the most optimistic man there can be. I believe in what we are doing, I believe in the government's capacity, and I believe in democratic institutions. Our people have a right to feel desperate sometimes. However, although the comparison may be annoying, I beg them to think about what we had six months ago, what we have now, and what we can expect in the future.

I am very optimistic. I agree with the president of the Republic, the first vice president, and the entire government team that the country is heading in one direction: forward. Therefore, together we must achieve that political peace, peace of mind, and social peace that is so important. However, we must start acting and not just plan. As I have said, I am not an economist, and I implement projects. I believe that the Planning Ministry has a great responsibility, which is not only planning, but also helping in the implementation of projects.

[Miller] Juan Carlos Duque of LA ESTRELLA DE PANAMA.

[Duque] How will the U.S. aid be distributed?

[Ford] We have prepared a chart, because it is very important to share this information with our fellow citizens. The U.S. aid totals $420 million. I must stress that this is a donation. We do not have to pay it back.

First, we have a $130 million allotment, a U.S. donation added to donations of the other groups I mentioned earlier, to help us make our overdue payments to international financial institutions.

In addition, $114 million will be used in public investment projects. In other words, this amount will be injected into the national budget to strengthen the area of investments.

The national government has decided to channel $108 million through Panamanian banks for all types of loans—mortage, commercial, industrial, agricultural—to quickly strengthen and revitalize the national economy. That is how that $108 million will be used.

In the area of Public Administration, a program to improve the judicial and penitentiary systems will be implemented. We must build new jails so that prisoners can at least live a dignified life. In the Judicial Branch, the Supreme Court of Justice has great needs and therefore has been assigned $8 million.

There is a program of change in financial management to strengthen all the national government's economic plans. We have earmarked $6 million for this program.

Assistance for the modernization of the economy: this has to do with the implementation of plans. There is a support plan for $3.6 million.

Protection of the canal's hydrological basin; we have designated $10 million for this purpose. There is a very serious problem with the canal's basin. If we do not protect it now, we will have devastating consequences within the next 10 years.

Development of Human Resources and Police Services; there is an entry of $19 million, which is broken down in the following way:

—$6 million will be invested in scholarship programs that will be handled by Ifarhu [Human Resources Education and Training Institute];
—$500,000 will be used to train youths in rural areas, and more specifically, youths who are involved in farming activities;
—$500,000 will be used to train and help youths working in the private sector;
—$12 million will be used to improve police services. I want to be very clear on this—this money will not be used to create an army or to purchase war materiel. This money will be used to train our policemen and to create a police academy;
—$500,000 will be spent to improve the Electoral Tribunal; and
—$1 million will be used for varied expenditures.

In addition, we have included an entry of $3.5 million to promote Panamanian exports and private investments.

We will use $3 million to carry out a complementary program to help the homeless of El Chorrillo and Colon.

Finally, $13.4 million will be used for other programs and to pay for handling the $420 million.

We are drafting a detailed program to present to the Cabinet and to then release it to the population.

[Miller] Since we have run out of time, Mr. Minister, we would like you to make a final statement after having answered the questions presented by our distinguished guests tonight.

[Ford] I want to send a very sincere message to the Panamanian people. I would like to challenge the Panamanian people: The future is in your hands. Despite the problems that we may encounter along our journey toward the successful consolidation of our economy and our democracy, the future is in the hands of all Panamanians. The best proof of that is that without anyone's help and after six months of government, we already feel relief and we already see a very clear path toward our country's future. Our challenge is to jointly build a country within democracy, justice, and freedom. Thank you very much.

Linares on U.S. Patrols, Foreign Relations

PA2706031990 Panama City LA ESTRELLA DE PANAMA in Spanish 26 Jun 90 pp 1, A-2

[Report by James Aparicio]

[Text] Panamanian Foreign Minister Julio E. Linares has disclosed that Panama has requested that the United States sell or charter to Panama three or four patrol boats for coastal surveillance, thus reaffirming its position of rejecting U.S. Coast Guard patrols.

"I met with U.S. Ambassador Deane Hinton and the minister counselor [as published] and we are awaiting a reply," Linares told LA ESTRELLA DE PANAMA.

The United States has proposed that U.S. Coast Guard vessels patrol the Panamanian coasts to prevent possible drug-trafficking vessels from passing, but Panama insists that Panamanian seamen be used.

The controversial proposal would allow ships using Panamanian waters or the canal to be boarded or even sunk.

Linares explained that the U.S. proposal "hurts Panamanian sovereignty" and noted "we cannot overlook the fact that if U.S. vessels mistakenly sink a ship, Panama has to pay the indemnity."

Linares said that Panama is waiting for a U.S. reply to the request to charter or purchase boats. "If the United States does not accept, then the Panamanian Government would have to ask other countries about acquiring patrol boats."

Political sources have said that Panama could turn to Spain, Venezuela, Colombia, or Argentina—countries that have developed their navies and have "plenty of experience" patrolling their coasts.

Linares met with Hinton on the evening of 22 June, but avoided giving details about the U.S. position on the Mexican offer. [sentence as published]

Questioned about relations with Mexico, which deteriorated after the 20 December 1989 invasion, Linares said that "improvement... depends on Mexico, not us."

Former Panama National Bank manager Rafael Arosemena remains in refuge at the Mexican Embassy. Arosemena has been charged with alleged financial mishandling of the state institution.

Also under asylum at the Vatican, Ecuadoran, Peruvian, and Cuban Embassies are Captain Eliecer Gaitan, former Minister Rodolfo Chiari, and Majors Heraclides Sucre and Gonzalo Gonzalez, as well as left-wing former parliamentarian Luis Gomez.

Regarding relations with Havana, which are at their lowest level, as is the case with Mexico, Linares did not rule out reducing diplomatic personnel accredited here, but avoided giving details on this possible step.

Cuban Ambassador Lazaro Mora was expelled from Panama five months ago because of the position of the Cuban Government, led by Fidel Castro who had said the country was ruled by U.S. generals who led the military intervention six months ago.

In addiition to Mora, Peruvian commercial attache Luis Sandigas was also expelled, but Linares gave assurances that Panama was no longer isolated and that relations in South America "have become almost normal."

Linares: U.S. Troops Not Harming Sovereignty

PA2606164690 Panama City CRITICA LIBRE in Spanish 25 Jun 90 p 23

[Report by Roberto Cubilla]

[Text] Foreign Minister Julio Ernesto Linares has asserted that the presence of U.S. troops in rural communities in Panama is endorsed by the Foreign Ministry because "it does not harm our sovereignty." He said the troops presence is authorized by the Foreign Ministry and approved by the communities.

Linares compared the various forms of U.S. military presence in Panama. One case is that of the U.S. soldiers in various parts of the national territory. They are there "to render some service to the community" and "by virtue of an exchange of notes with the Foreign Ministry and the satisfaction of the various communities." Foreign Minister Linares said that sometime ago a public statement by the Foreign Ministry was interpreted as a demand for the U.S. troops to be withdrawn from Panama. The Foreign Ministry received thousands of telegrams and letters from Panamanian citizens who protested and demanded that the troops stay. He added that during a recent meeting between Government and

Justice Minister Ricardo Arias Calderon and the governors of provinces "the governors raised the need for U.S. troops to remain in our country."

Another form of U.S. presence analyzed by the foreign minister is that of the U.S. soldiers who participate in joint patrols with Public Force [FP] members. Linares noted that "Arias Calderon, who is the FP's chief, has said that this patrolling will continue only until December 1990." A third category analyzed by Linares was that of soldiers who do not belong to either of the two previously mentioned categories and "who must perforce return to their bases."

Finally, Linares said that the work that the U.S. forces are doing in the communities cannot be compared with the work the Civic Action section of the defunct Panama Defense Forces used to do because the present work will be done only for a limited time while that of the Civic Action section was a permanent operation.

Fishing Association Rejects Coast Patrol Remarks

PA2406182890 Panama City LA PRENSA in Spanish 22 Jun 90 p 27-A

[Communique issued by the National Association of the Panamanian Fishing Industry on 21 June in Panama City]

[Text] This morning a local newspaper published statements attributed to the foreign minister under the headline: "Some People Are Not Concerned With Patriotism, But With the Ring of Their Cash Registers: Linares."

This opinion pertains to a statement issued by our association that there is an urgent need to patrol our coasts to ensure the discharge of the fishermen's daily activities and the functioning of the vessels that comprise the national fishing fleet. In view of that statement, our association believes it is necessary to voice our opinion:

1. The motorboat Evia has been missing since 3 June. It carried five Panamanian crewmen whose whereabouts is still unknown. This association is concerned because our Foreign Ministry is looking at this problem from an economic standpoint, while the parents, spouses, and children of these Panamanians know nothing about their relatives. The lives of five missing Panamanians and the real and humane situation created by this sad reality is what actually catches the attention of this association, and not the ring of cash registers as Foreign Minister Linares stated.

2. Although the foreign minister's statement casts doubt on the nationalism of some Panamanians, we quote his reference to this issue: "We are not dealing with patriotism or nationalism, but with an economic problem. I believe that the damage Panama would have to pay at a given moment would be greater than the net revenues received by the affected groups." If the main problem involved in allowing the United States to patrol our coasts is the economic cost that Panama would have to pay should vessels be sunk, we believe that the foreign minister's statements could be applied to himself. We find it difficult to understand why he believes it is unpatriotic to jointly patrol the republic's coasts along with the United States when the presence of U.S. troops moving about the entire national territory is acceptable.

3. Thousands of Panamanians are currently working at sea day after day, and their lives are jeopardized every time they start a new workday. The vessels on which they travel may be insured, but we are actually concerned about the lives of people, which are priceless. This association is obliged to inform the proper authorities about the seriousness of this situation and demand the protection to which Panamanians who earn a living from this activity are entitled.

4. In local television interviews, the foreign minister recommended that fishing vessels abstain from fishing in waters where they could be in danger. Our association believes that if we did that, we would not be fully exercising our sovereignty. We cannot allow vessels and citizens of other nationalities to exploit our natural resources with the permission of our authorities and to the detriment of Panamanian citizens, who, after all, are the only ones who can rightfully exploit them.

In view of the above, the National Association of the Panamanian Fishing Industry rejects the statements attributed to the foreign minister for being demogogical and for solely aiming to distort the reality experienced by thousands of Panamanians. The times of accusations launched by bad Panamanians or Panamanians who "are not concerned with nationalism" are a thing of the past, just as those who described themselves as great nationalists also are.

Minister on Patrolling Territorial Waters

PA2606170190 Panama City ACAN in Spanish 0108 GMT 26 Jun 90

[Text] Panama, 25 Jun (ACAN-EFE)—Panamanian Commerce and Industries Minister Juan Chevalier reported today that approximately 20 Colombian "pirate" vessels are fishing in Panamanian waters illegally.

In statements to the press, Chevalier said that "some of those vessels cannot be identified by the National Aviation Service planes, because all the marks of these fishing vessels have been erased." Chevalier did not give details on the marks to which he referred.

Chevalier said that Panama does not have coast guard services that "could pursue those pirates and put them where they belong."

As for "piracy" and the possibility that Panama reinforces the surveillance along its coasts with the help of other countries, including the United States, Chevalier admitted that it could be feasible "without having to give up sovereignty."

Minister Chevalier added that "we do not have to put our sovereignty before" the struggle against drug trafficking. On the contrary, "we have to reach reasonable cooperation agreements with other nations in order to fight drug trafficking."

Panamanian President Guillermo Endara is against the United States or any other foreign power patrolling Panamanian territorial waters.

Endara recently said: "We are studying the possibility of having Panamanians patrol our waters. We will not agree to any foreign power patrolling our waters."

Magistrate Demands Documents From U.S. Army

PA2606004290 Panama City EL SIGLO in Spanish 25 Jun 90 p 6

[Report by Blas Julio]

[Text] Santiago, Veraguas Province—"Manuel Antonio Noriega will not be able to again be the owner of all the property he gathered during the dictatorship. It is possible that the property will end up in the hands of other persons or figureheads he used to hide the property." Magistrate Eduardo Lombana announced last Saturday during a Junior Chamber of Commerce meeting in Veraguas Province.

Lombana, a magistrate of the Directorate for the Recovery of State Property [DRP], added that the main problem confronted by members of the DRP is the lack of evidence available to the magistrates entrusted with recovering state property.

Through these means, Lombana strongly urged that the U.S. Army return the documents it has turned over to lawyers for the former dictator.

Magistrate Lombana added that he thought that it would be extremely difficult to recover the property held by Noriega inasmuch as it was not located in specific places, but rather several accounts that have been moved from one place to another in recent years and handled excessively so that the authorities would lose track. Lombana said that if the DRP was given the evidence, it would be possible to recover everything.

Meanwhile, DRP Magistrate Gonzalo Menendez Franco said that although some citizens feel there should not be a DRP, this is a new right in a very special national situation that has created certain expectations, but also certain concerns. If the DRP was eliminated, it would have social, political, historical, and even financial cost.

Gonzalo Menendez Franco has said that the DRP's work is being criticized by people who do not stop at anything. He added that Magistrate Eusebio Marchosky, the DRP president, has received death threats and that DRP property custodians have been attacked by unidentified persons. In concluding, Menendez Franco said that the DRP will continue to work, despite the many threats received every day.

Noriega's I.D. Papers 'Mysteriously Disappeared'

PA2706031890 Panama City Circuito RPC Television in Spanish 2300 GMT 26 Jun 90

[Text] Civil documents belonging to former General Manuel Antonio Noriega have mysteriously disappeared.

Page No. 59 of this book [reporter points to a book], which should contain the birth registration of deposed General Manuel Antonio Noriega, has inexplicably disappeared. This is Book No. 458 of the Panamanian Civil Registration Office, which contains the registrations of all the births that occurred in 1934, the year in which Noriega was born. The whole page has been ripped out and everything seems to indicate this was done following an order given by Noriega himself, who is currently in a Florida prison.

How was this discovered? The Third District Attorney's Office had asked the Civil Registration Office to send the aforementioned document to that office to conduct some investigations.

Civil Registration Office director Cynthia de Sampson has said that she filed a report at the Fifth District Attorney's Office, because the removal of this type of document is punishable by law. The question is: What led Noriega to get rid of his own birth registration? There is no answer to this question thus far.

[Begin Sampson recording] We have filed a report for the authorities to begin an investigation to find out who removed these documents. The information we have had up until now indicates that Noriega was a Panamanian citizen. [end recording]

Meanwhile, a similar discovery was made at the National Documentation Office [Oficina de Cedulacion Nacional]. Former General Noriega's identification card registration has mysteriously disappeared. Somebody has illegally removed this document from the office. After a careful search conducted upon our request, the National Documentation Office employees went through the old archives and found microfilms of the basic identification card registration of Noriega's first identification card printed in black and white. His identification card number is 8-74-291. The identification card registration says that Noriega was born in Panama City on 11 February 1934. Noriega is 56 years old, but while he headed the Panamanian Armed Forces he claimed he was four or five years younger than that. This, however, does not explain the mystery because important Civil Registration Office documents are still missing and the employees who removed those documents are still working at the Civil Registration Office.

The question is: What led Noriega to get rid of his civil papers? Only Noriega and perhaps his closest collaborators know the answer.

The investigations that the Fifth District Attorney's Office is conducting will help solve the mystery.

Canal Administrator Comments on Noriega Choice

PA2506213990 Panama City EL SIGLO in Spanish 21 Jun 90 p 23

[Text] Acting Canal Commission administrator Fernando Manfredo has made the following statement on the Radio KW Continente program hosted by Mayin Correa. "I have

first-hand information that Noriega proposed Fito Duque for the post of Canal adminstrator so that he would not be confirmed, but instead rejected." Manfredo noted that Noriega "wanted the United States to reject the nominee." He said that Noriega had contended that the campaign to denounce Canal Treaty violations was not working because the violations were difficult to explain, but if the United States were to fail to comply with its obligation to appoint the person nominated by Panama to the post of Canal administrator on 1 January 1990, then the United States would be committing an obvious, flagrant, and serious treaty violation.

Manfredo said that "they thought that the Fito Duque nomination would be supported by all the political groups in the country. Duque had been a state minister, director of autonomous entities, and one of the owners and directors of LA ESTRELLA DE PANAMA, so he 'looked' like an acceptable candidate who could not be rejected by the United States unless the United States had no interest in complying with the treaty."

Manfredo noted: "One thing that frustrated Noriega was my decision to remain as acting Canal administrator as of 1 January; I decided to do this because then there would be compliance with at least the spirit of the treaty since a Panamanian would be in the post of Canal administrator. This is why a merciless campaign was launched against me. This campaign was waged not only through the media. There were efforts to intimidate me, my family was threatened, and I was threatened with losing my citizenship. I still have to face a treason suit filed against me by the National Bar Association."

Modelo Penitentiary Prisoners Stage Uprising

PA2506200890 Panama City ACAN in Spanish 1856 GMT 25 Jun 90

[Text] Panama City, 25 Jun (ACAN-EFE)—Panamanian policemen and U.S. soldiers are trying to control an uprising staged by hundreds of prisoners at the Modelo Jail in Panama City. The uprising began today shortly before 1100 (1600 GMT).

In El Chorrillo, the neighborhood where the jail is located, residents said that the prisoners obtained weapons with which they opened fire on the Panamanian policemen. The Panamanian policemen responded by firing birdshot into the air and throwing tear gas. Meanwhile, the U.S. military police are on the alert.

The witnesses said that they heard machine-gun fire coming from the building that houses the Modelo Jail where there are more than 600 prisoners. It is not known whether all the prisoners are participating in the uprising.

The authorities have not reported on any injuries inside and outside the jail. There have been no reports concerning escape attempts.

Official sources stated that the uprising began after the prisoners were advised that they would not be allowed daily visits. Because of a lack of space, visitors would be allowed every two days.

The same source added that the situation is under control; however, the sound of bottles breaking and shouts can still be heard.

A commission of prisoners and jail officials are negotiating the demands being made by the prisoners in order to end the uprising peacefully.

From the windows of their cells the prisoners were demanding quicker processing, that the prison guards be changed, and that they be allowed more visitors.

"The guards eat our food," one of the prisoners shouted at an ACAN-EFE correspondent from one of the windows at the Modelo Jail.

Two U.S. armored vehicles are participating in the operation to control the uprising that is being carried out by Panamanian policemen. In light of a possible intervention, the families living in buildings near the Modelo Jail are also being evacuated.

Earlier this year the Modelo Jail prisoners participated in a similar uprising. However, at that time a smaller number of prisoners participated and the Panamanian policemen regained control of the situation faster.

Other similar movements have been controlled throughout the country where prisoners are demanding better treatment and efficiency in the criminal cases. Several people have been injured during these incidents.

Explain Reasons for Uprising

PA2606020890 Panama City Circuito RPC Television in Spanish 2318 GMT 25 Jun 90

[Italicized passages are recorded]

[Text] The Modelo Penitentiary prisoners today staged an uprising, and there was an attempt to escape. The inmates were violent and took advantage of the fact they were in the prison yard to stage their revolt. The guards acted quickly, using firearms and teargas to control the prisoners. A security cordon was established in the Modelo Penitentiary with the support of the U.S. Army South Military Police.

The uprising began at approximately 1210. The machine-gun fire provoked panic in the area. Fortunately, the shots were fired in the air, and no one was hurt during the action. The prisoners, wielding sticks and bottles, rebelled in the yard while their companions who were in their cells shouted support.

Reports indicate that the men in revolt tried to enter the gallery where the political prisoners are kept, but to no avail. The Modelo prisoners explained why they rebelled.

[Unidentified prisoner] *We want to be allowed visitors. They do not want to allow us any visitors. We have nothing to eat.*

They are also demanding better food and more effective medical attention for sick prisoners. Gradually, the hot tempers cooled. A commission of rebel prisoners, comprised of three men, formally presented their complaints to Modelo Penitentiary Chief Lieutenant Luis Gordon. At first, the press was unable to learn the results of the negotiations.

Later, Daniel Alonso, a spokesman for the Public Force [FP], emphasized that visits in the jail have been restricted due to the very little space available and for the sake of operations. He explained that visits have been reduced from once daily to twice weekly.

[Alonso] *This reduction in visiting hours has led to complaints, and this unfortunately worsened to the point where there was practically a revolt.*

Two hours later, riot units arrived at the site, but the situation was already under control. The prisoners themselves began to clean up the area where they had staged the rebellion.

Ana de Montavani, acting deputy minister of government and justice, later emphasized that what actually occurred at the Modelo Penitentiary was an attempt to escape.

Manuel Bonome, of the Corrections Center, pointed out that negotiations with the inmates were successful.

[Bonome] *In this dialogue, they conceded that conditions had improved.*

The Modelo Penitentiary was built in the 1920's to house 250 prisoners. However, today there are nearly 800 mates in the Modelo cells. The truth is that these revolts occur very frequently, and despite reforms, the prisoners are displeased. All this shows that we urgently need more modern prisons.

Bank Official on Liquidity, Agricultural Programs

PA2606174990 Panama City LA ESTRELLA DE PANAMA in Spanish 24 Jun 90 pp 1A, 2A

[Report by Camilo O. Baruco]

[Text] The National Bank of Panama has increased its liquidity, rescuing its national and international prestige in just six months. From the 17 million balboas left over from the administration of the defunct regime, National Bank Manager Luis H. Moreno has increased the liquidity of the bank to over 500 million balboas. This amount represents cash and deposits held by the National Bank of Panama in Panamanian and overseas banks.

Moreno said: "When we took over the administration of the National Bank of Panama, we found 17 million balboas in cash to meet very many obligations. To begin with, public workers had debts totaling several thousand balboas, and the government could not pay these debts."

Moreno said that the National Bank of Panama has opened new sources of financing in order to benefit the producers. This financing will immediately result in job opportunities and the purchase and sale of goods and foodstuffs in Panama.

Moreno added that the National Bank of Panama is complying with its basic principles. He said that he sees liquidity divided into two mainstreams: On the one hand, the national bank has currently enough cash and deposits in other banks to meet the normal withdrawals of customers; on the other hand, the national bank has the ability and responsibility to loan the money it receives to those with the greatest needs in terms of their productive capacity and goals. It is in this sense, Moreno said, that the National Bank of Panama is presently complying with its basic principles.

Moreno stressed his moral obligation to give priority to the producers, especially to those who do not have access to the customary or easy sources of private and commercial financing offered by local and foreign banks.

"The National Bank of Panama is especially determined to help the small and medium agriculture and livestock producers," Moreno said.

He said that these are the most important sectors in terms of employment opportunities, adding that most people in the local work force work in agricultural activities.

Moreno explained the problems that adversely affect this sector—namely, the hike in production costs and the price regulation controls. He also praised the strength and the survival capability of this sector during the last three years of the crisis, adding that this sector gallantly resisted the crisis, which makes it deserving of the National Bank of Panama's attention.

Moreno said that the government will insure the welfare of all Panamanians by encouraging the production of foodstuffs, adding that this is one of the basic policies of the government.

Moreno said that only an adequate financing atmosphere will promote production. He reiterated that the bank is determined to help the productive sector without neglecting commercial and industrial loans, which should be requested by customers in a responsible manner.

Moreno reported the existence of the credit portfolio without due guarantees as well as the delays in repaying the interests and principal on some loans. He also mentioned the bad loans for thousands of balboas, where the customers have not made any payments in five, seven, or eight years.

"The bad loans are being carefully analyzed," he said, adding that the delays in repaying loans have been caused in some cases by natural factors. For example, he mentioned the lack of rain that has adversely affected the rice harvest and the flies that destroy the vegetable crops in the highlands of Chiriqui Province. In these cases, the National Bank is being flexible by granting debtors

longer repayment periods. However, Moreno said that in many cases the customers have not made payments in years, warning that the national bank will take legal actions to recover the outstanding debts.

Moreno demanded that the customers respect the bank because when they requested loans, the institution gave them a helping hand. "These commercial, industrial, and agriculture relations should be characterized by mutual respect," Moreno added.

The National Bank of Panama has taken steps to promote the "Agriculture and Livestock Programs which favor credit activity and Panamanian investments. These programs are promoted in conjuction with the Ministry of Livestock Development (Mida), the Idiap [Agriculture and Livestock Research Institute of Panama], and the School of Agricultural Sciences of the University of Panama." These programs show producers their need to use the proper techniques and necessary administration to turn their enterprises into successful businesses. Moreno said that this counseling will help the producer consider all the elements involved in the production process.

He concluded that "some agriculture programs are being planned," with the participation of four doctors who go out in the field (not desk doctors) and researchers." He said that this is the first time this kind of activity has been presented in Panama, adding that the country has not seen much of it.

Moreno praised the creation of the stock market in Panama, which he described as an alternative source of financing other than the traditional banking system .

Linares Denies Nepotism in Diplomatic Postings

PA2706022490 Panama City Circuito RPC Television in Spanish 2342 GMT 26 Jun 90

[Text] Foreign Minister Julio Linares said today that diplomatic posts have not been assigned to relatives of those in power.

[Begin recording] [Linares] I would like to hear the names of the people who are related to people in power and who are not fit to hold the posts they occupy.

I want to take advantage of this opportunity to clarify the following: A bother-in-law of mine has been appointed to the Panamanian Embassy in the UK. His name is Teodoro Franco. I believe that he is completely competent. He is a lawyer, and he has lived in the UK for a very long time. I believe he is the Panamanian who knows more about the UK than anyone else. The most important thing is the following: People often speak without knowing all the facts. Mr. Teodoro Franco was not appointed by me. He was appointed because he is a member of the Authentic Liberal Party and the party demanded or rather asked that he be appointed. His appointment was delayed for about two months because I refused to sign the documents. I am sure that everyone thinks he is Panama's ambassador to the UK because I appointed him. Quite the contrary is true. His appointment was delayed for two months and you can ask the president about this. I believe Mr. Franco is a competent person. Regardless of the fact that he is a relative of a minister or a public employee, I believe that if he participated in the Civic Democratic Opposition Alliance and the opposition for 21 years, he has the right to be appointed to that post.

[Reporter] Dr. Linares, there are those who point out that we have gone from a dictatorship of guns to a dictatorship of last names. Diplomatic posts have already been assigned to people whose last names are Endara, Arrocha, and others. Are they relatives of the president or not?

[Linares] When you ask me about Arrocha, as far as I am concerned, Arrocha is the last name of a very distinguished family from the interior. This family has worked hard and has excelled through its own merits. We can say the same thing about the last name of Endara. I believe the grandfather of the current president came to Panama and made a living as a photographer. Endara's family has excelled and has reached the highest levels in Panamanian society and his grandson has become president of the country. Instead of criticism, this goes to show that Panama is a country of opportunities. [end recording]

Plane Held in Darien To Protest Conditions

PA2706022390 Panama City Circuito RPC Television in Spanish 2300 GMT 26 Jun 90

[Text] A plane of the Parsa Airlines Company, which has daily flights between Panama City and Darien Province, has been held up by residents of Yaviza, Darien Province. The residents are demanding that IRHE [Institute of Hydraulic Resources and Electrification] and IDAAN [National Water and Sanitation Institute] do something about the lack of electricity and water they have been experiencing for several weeks. The Parsa Airlines plane had nine passengers on board.

Parsa Airlines manager Captain Rafael Reyes stressed that this is not the first time one of his planes has been held up in Darien because of this type of problem. Captain Reyes said that this type of action causes enormous losses for his company.

[Begin Reyes recording] I think the authorities must look into this situation. They should take some sort of action because if this type of event becomes popular, we will have planes being held up in Chiriqui Province, Changuinola, Veraguas Province, San Blas, and other places because people want to complain about one thing or another and this causes problems for private companies.

People should complain directly to the government or the people who are harming them. We have been working responsibly and efficiently in Darien Province for 10 years and what the Darien residents are doing now is not fair to us. [end recording]

Argentina

Exercises, Joint Patrols With Brazil To Continue

PY2606035490 Buenos Aires DYN in Spanish 2316 GMT 25 Jun 90

[Text] Buenos Aires, 25 Jun (DYN)—Argentine Defense Minister Humberto Romero and General Jonas de Moraes Correia Neto, chief of the Brazilian Joint Staff, today ratified the decision to continue with the joint exercises and patrols conducted by their respective navies and with their ambitious program to build a cargo plane.

Romero and Correia Neto, who is paying an official visit to Argentina, pointed out the "good friendship" prevailing between the Brazilian and Argentine Armed Forces.

The meeting was also attended by Vice Admiral Emilio Osses, chief of the Joint Staff of the Argentine Armed Forces; Brigadier Roberto Petrich, Argentine deputy chief of staff; and General Waldir Cavalcante de Sousa Lima, Brazilian deputy chief of staff.

During the meeting, Romero and the military commanders ratified their decision to continue with the "fraternal operation" conducted by the Brazilian and Argentine Navies. This operation includes the control of the maritime traffic in the jurisdictional waters of the two countries. They also analyzed details of the ambitious program for the construction of the CDA-123 cargo plane, on the eve of the first flight of its prototype. Romero and the military chiefs also agreed to hold seminars on Argentine-Brazilian strategy, in which the Uruguayan Navy will participate as of this year.

Minister To Participate in Ozone Layer Meeting

PY2606140690 Buenos Aires TELAM in Spanish 2016 GMT 25 Jun 90

[Text] Buenos Aires, 25 Jun (TELAM)—This afternoon Health and Social Action Minister Eduardo Bauza left for London, where he will participate in the "second meeting of Montreal Protocol members to discuss substances that harm the ozone layer."

According to a communique issued by the Health and Social Action Ministry, the meeting, to be held 27-29 June in London, is part of the United Nations environment preservation program.

Bauza said that the reason for the meeting is to agree on the role to be played by organizations within a financial assistance mechanism for developing countries established by the protocol signed in Montreal, Canada. The Montreal Protocol is based on a previous meeting held in Vienna in 1985 to discuss preservation of the ozone layer, during which countries were urged to reduce the production and consumption of dangerous substances, especially chlorofluorocarbon (CFC). An agreement was signed, including by Argentina, on this occasion.

In 1987, representatives met again in Montreal, where it was agreed that each member country would control the consumption level of dangerous substances and prohibit the import of controlled substances, and that they could suspend the control measures for 10 years as long as the annual consumption of controlled substances were lower than [words indistinct] per inhabitant.

In this regard Bauza said that "Argentina has already enacted Law No. 23778 approving the protocol on substances that affect the ozone layer" and added that "it has already started to draw up a ratification document to be sent to the UN secretary general, which is required for members of the Montreal Protocol."

Bolivia

Commissions Created To Receive U.S. Materiel

PY2606203690 La Paz EL DIARIO in Spanish 16 Jun 90 p 3

[Text] Aeronautics Minister Luis Gonzalez has reported that the executive branch has ordered the creation of special commissions to make a detailed report on the materiel donated to the Armed Forces by the United States.

At the end of a meeting between President Jaime Paz Zamora and members of the High Military Command, the Aeronautics minister, and other officials, Gonzalez referred to the subjects discussed at the meeting.

During the meeting, the commander in chief of the Armed Forces and the commanders of the Bolivian Air Force [FAB] and of the Army, gave the president the construction timetable for military houses. He explained the procedures for that work, as provided in Annex III which is the agreement covering the donation of U.S. equipment to the Bolivian Armed Forces.

The commissions that will be created will begin operating next week, but their action will be strictly limited to the technical items; establishing the number of items that will be received and their specifications. Once the materiel is defined, these technical work commissions of the Bolivian Armed Forces will sign new documents with their U.S. counterparts.

Referring to the materiel that the United States will donate to the Bolivian Air Force, Minister Gonzalez said they will begin the work to establish what is appropriate for the Air Force, especially regarding the landing strips, after a meeting next week that the U.S. ambassador and the FAB commander will hold with the military technical commission.

The problem of landing strips in some northern Bolivian towns, especially in Beni and Pando Departments, a task entrusted to the Aeronautics minister by President Paz Zamora, will be solved with the U.S. support.

Luis Gonzalez added that an agreement will be signed within the next few days with the U.S. Embassy to begin

the renovation of the Trinidad airport and the construction of ramps at a cost of $2.6 million.

Defense Minister on U.S. Presence in Pati Pati

PY2706031290 La Paz La Red Panamericana in Spanish 0000 GMT 27 Jun 90

[Text] The Pati Pati Hill leveling work is planned to last three months, Defense Minister Hector Ormachea said during a news conference. The minister reported that the works will begin next August and conclude in November. However, the presence of U.S. civilians and military men will extend to December. There will not be more than (?500) persons, he added.

According to the defense minister, the U.S. Embassy has reported that only 300 men will arrive in Bolivia. As for the Bolivian personnel who will join the U.S. team, the minister said:

[Begin Ormachea recording] I want to stress that two Army units will actively participate in this work. One unit is the Perez 3d Infantry Battalion, headquartered in Potosi. It will help not only to guard all the materials and equipment, but also to carry out civic action works. [end recording]

Regarding the civic action works, the minister explained that they range from the reconstruction of schools to free medical attention. The units will also give technical assistance and open roads in the region.

Minister Criticizes SELA Strategy on Debt

PY2606161290 Madrid EFE in Spanish 1702 GMT 25 Jun 90

[Text] La Paz, 25 Jun (EFE)—Bolivian Planning Minister Enrique Garcia stated today in La Paz that the Latin American Economic System (SELA) strategy to reduce 75 percent of the regional debt is not applicable in Bolivia. On 23 June at a SELA meeting in Caracas, the finance ministers of Latin American and Caribbean countries agreed to begin action to reduce the face value of the debt by reducing interest to a fixed rate lower than that which is in effect in the market, or to issue bonds in exchange.

Garcia said that this strategy is not applicable in Bolivia, a "pioneer country" in the reduction of its foreign debt, especially of that contracted with international private banks. The Bolivian foreign debt decreased from $4.071 million in 1988 to $3.476 million in May 1990, representing a reduction of $595.5 million.

According to the Bolivian minister, the SELA proposal is not feasible for reduction of the regional foreign debt because the treatment should be different for each type of creditor. "The creditors, which are many and varied, will hardly accept an overall proposal," Garcia said. He added, however, that the SELA proposal will probably "make an overall solution to the foreign debt more flexible in a short period of time."

"A flexible solution will reportedly be positive because some countries are rather tired of conducting economic adjustment processes to generate surpluses to pay the foreign debt," Garcia said. Bolivia annually earmarks 40 percent of its export revenues for foreign debt payments, which forces it to adopt severe adjustment programs, programs for the control of expenditures and for investments.

In 1988 Bolivia implemented a foreign debt repurchase mechanism through which it managed to reduce the debt from $429 million to $276 million, the equivalent of 76 percent by May this year. The bilateral debt was also reduced from $2.213 million to $1.699 million between December 1988 and May 1990, while the multilateral debt increased from $1.429 to $1.501 million.

Bolivia has also managed to reduce its bilateral debt due to the purchase of part of the foreign debt with Brazil for a total of $22 million.

Malmierca Comments on Latin American Integration

PY2606142490 La Paz PRESENCIA in Spanish 19 Jun 90 p 7

[All quotation marks as published]

[Text] (ANF) — Today Cuban Foreign Minister Isidoro Malmierca stressed: "Always under the umbrella of an undeniable spirit of integration, we believe it is again necessary emphasize that Cuba believes that a solution to the problem of Bolivia's lack of an outlet to the sea is of the highest interest for peace and understanding between the countries of Latin America."

In another part of the address he gave after being decorated with the Great Cross of the Condor of the Andes, Malmierca said: "This has been the motive behind our unconditional and systematic support in international forums, and we have especially supported declarations that have been issued by the Nonaligned Movement countries on more than one occasion. Someday, sooner rather than later, we will not only be able to observe Illimani [mountain] from an exciting overflight, but also from a useful sovereign Bolivian sea."

The Cuban foreign minister, who has been in our country since the morning of 16 June, said: "It is not the time to look at our history nor to highlight what separates us, it is time to think about our roots in order to highlight our identity."

He mentioned that Cuban President Fidel Castro has repeatedly said that Cuba will decisively do everything appropriate to defend the common interests of our peoples in the face of an unjust international economic reality.

Malmierca stressed that within the framework of Latin American integration, we must work together in seeking solutions to such serious problems as the foreign debt and the way prices are set for our exports.

In addition, we believe that the conditions for Bolivian-Cuban cooperation are appropriate and "can only produce mutual benefits in a variety of sectors. This has been demonstrated in the talks that have been held since I arrived and in the ratification of valuable agreements between our two countries."

He indicated that with ratification of the agreements, "the desire and will for integration, solidarity, and friendship that have united and continue to unite the chiefs of state of our two countries (Fidel Castro and Jaime Paz Zamora)" have been demonstrated.

In the name of the Cuban people, Malmierca expressed his thanks for the decoration, which "I will keep with legitimate pride," and he expressed his confidence that everything will contribute to the development of bilateral relations, "the context of which is none other than brotherliness between the peoples of the great fatherland conceived by Bolivar and Marti above and beyond divisions; these, more than obstacles are the spur to work for our desired integration."

Editorial Comments on Cuban Malmierca's Visit

PY2606201790 La Paz EL DIARIO in Spanish 18 Jun 90 p 2

[Editorial: "The Cuban Foreign Minister's Visit"]

[Text] Since 1967, when a tragically famous Argentine-Cuban guerrilla [Che Guevara] headed an invasion of Bolivia, our diplomatic relations with the Cuban regime have been definitively cold following a long suspension. Perhaps, in an attempt to "undo evil deeds," the Cuban rulers have sought ways to gain the friendship of the Bolivians and even made some donations to the health sector, particularly to the La Paz Children's Hospital which they supplied with modern equipment.

Although the visit of Castro's foreign minister serves, as the Bolivian officials have already said, to show the plurality of the administration headed by President Jaime Paz Zamora, we should not forget that the guerrilla force was sponsored by the Cuban Government, that it was an insult to our country, and that several members of our Armed Forces died fighting it.

We must also remember that although things have changed a great deal in the world and that most of the socialist countries, including the Soviet Union, are undergoing changes to free their peoples, Fidel Castro's regime remains the same and the Caribbean dictator refuses to let his country start along the path that leads toward democracy or to return to Cubans the rights that have been taken away from them.

Undoubtedly, now that Cuba is becoming more and more isolated, the Cuban officials who rule the country against the will of the people are relentlessly trying to maintain diplomatic ties with the other governments of the continent mostly because the Soviet Union may at any moment reduce, or totally suspend, the generous economic help it has been rendering Cuba.

Although Bolivian officials are obliged to listen to and accompany the Cuban foreign minister, we want to point out, from this column, that it is important to let the Cuban people decide their destiny by themselves and without any interference. Only like this will the sisterly Cuban Republic recover its position among the other Latin American nations.

FELCN Charged With Laundering Drug Data

PY2606181290 La Paz PRESENCIA in Spanish 16 Jun 90 p 7

[Excerpt] On 15 June Edgar Montano, president of the La Paz Supreme Court, reiterated that members of the Special Antinarcotics Force (FELCN) "launder important information on drug traffickers," he also stated that he is willing to produce evidence on the matter at any time.

Previous accusations made by the judge against FELCN members were refuted by the social defense under secretary and by FELCN itself. These institutions pointed out that the courts that try drug cases, which are under the jurisdiction of the higher court, "are also part of the long chain of corruption," and they demanded that Montano immediately produce evidence to back up his accusations.

"There is evidence of this. One only has to review the judicial dossiers in which the FELCN says, for example, that the drug trafficker was here, but he disappeared afterward, and things like that," Montano replied assuredly, indicating that many criminals still mysteriously disappear from the hands of the antidrug police.

The high court judge explained that the irregularities that favor drug trafficking are basically a result of the lack of knowledge that antidrug force members have of Judicial Police actions when evidence against the criminals is collected. [passage omitted]

UMOPAR Destroys Cocaine Laboratory in Beni

PY2606195290 La Paz PRESENCIA in Spanish 17 Jun 90 p 4

[Text] (ANF)—The Special Antinarcotics Force has destroyed a cocaine laboratory on the Blanco River, in the northern region of Trinidad Department. However, the antinarcotics forces did not arrest anyone, or seize a single gram of cocaine.

According to a police report issued by the Trinidad Department Mobile Units for Rural Areas (UMOPAR) command, the laboratory was equipped with all the articles needed to process cocaine base into cocaine hydrochloride.

The UMOPAR patrol, supported by three Bolivian Air Force (FAB) helicopters, found a 20-by-10 meter wooden structure, in addition to seven tents, one of which was 10 by 5 meters.

It also found three drug washers [lavadoras de droga], and six drug dryers [secadoras de droga], 22 presses [exprimidoras], 15 plastic tanks [turriles], two generators, 12 matresses, 19 camp beds, 13 GLP [expansion unknown] bottles, 50 liters of ammonia, 92 kg of potassium permanganate, 24 bottles of sulfuric acid, one 20-liter bottle of sulfuric acid.

According to reports supplied by the UMOPAR Trinidad Command the entire laboratory was destroyed and burnt.

The Special Antinarcotics Force has reported that 17 kg of humid cocaine was seized at the "El Castillo" ranch in Chimore, Cochabamba Department.

The report adds that no one suspected of being involved in the manufacturing, transportation, or consumption of drugs was arrested in this operation either.

Call for Investigation of U.S. Drug Case

PY2606160090 La Paz La Red Panamericana in Spanish 1130 GMT 26 Jun 90

[Unattributed station commentary]

[Text] Without a doubt, all recent commentaries have centered on the U.S. plane that was confiscated a few days ago when it was about to take off with a cargo of cocaine.

This case would not have caused so much controversy if it were not for some unusual and surprising government decisions. Many people—among them, legal experts, politicians, and even national and foreign officials—had hoped an exhaustive investigation would be carried out based on the testimony of the six people aboard the plane, who were arrested.

It is surprising that the pilot and the copilot were released on the grounds that they had no connection with this frustrated drug trafficking operation. The same argument was raised to release the four passengers, who were reportedly given 48 hours to leave the country.

This case has been reduced to a dispute—in which the Bolivian Air Force [FAB] has come out victorious—between the FAB and narcotics department members who claimed the modern U.S.-made plane. It seems the case has been closed without an investigation to determine not only where the drug was acquired and who were the owners and the drug manufacturers, but also how many times this transportation system has been used to export cocaine.

It is important to disrupt all drug trade systems and Bolivian authorities are compelled to comply with this objective, which is being fulfilled by other countries with increasing responsibility. A complete clarification of this case is expected.

Country Reportedly Shining Path Route to Europe

PY2606171690 La Paz PRESENCIA in Spanish 18 Jun 90 p 1

[Text] Armed Forces Commander in Chief General Jorge Moreira Rojas has "for the time being" rejected the idea that Shining Path leaders have fled to Bolivia from Peru, as was announced by Peruvian President Alan Garcia on 17 June.

In remarks to the ANF news agency, the military chief said that he had no knowledge of an alleged "retreat" of the Shining Path guerrillas, but unofficial sources cited by ANF have indicated that "for some time now" the rebels have been using Bolivian territory as a "bridge" to East Europe.

According to Moreira, Bolivian military posts along the border with Peru are carrying out their tasks perfectly.

However, ANF asserts that there could have been some guerrilla infiltration with the objective of seeking temporary refuge in Bolivia for militants who then return to the armed struggle in their country.

Rafael Puente (IU) [United Left], a deputy who was consulted by the news agency, stressed that the only political group that has the characteristics of the Shining Path is the so-called Red Offensive [Ofensiva Roja] of Ayllus Kataristas, which emerged during the last national campesino congress; it has not yet gotten out of its "embryonic" state and "has gone no further than incendiary speeches," Puente said.

Bilateral Debt With Argentina, Brazil Reduced

PY2506135690 La Paz La Red Panamericana in Spanish 1130 GMT 25 Jun 90

[Text] Planning and Coordination Minister Enrique Garcia has stressed that Bolivia is in the last stage of canceling its total debt with the private banking sector.

The minister went on to point out the country's current problem is the bilateral debt; although we have been able to reduce it by $300 million through negotiations with Argentina, and by $800 million in negotiations with Brazil.

Cuban Assistance in Health Sector Detailed

PY2606135090 La Paz PRESENCIA in Spanish 19 Jun 90 p 6

[Text] (ANF)—Cuba has been granting technical and economic assistance to Bolivia in the health sector since 1983, but in 1990 this cooperation has been limited to only technical assistance. However, technological support has not been ruled out for the next few years.

During the current administration, Cuban support to Bolivia has included sending nutrition experts, maintaining intensive care units, and administering hospital systems.

This was reported by Health Under Secretary Guillermo Cuentas, who added that an expert in child nutrition, growth, and development is already in the country.

The under secretary explained that two Cuban experts in district hospital administration or district clinics are expected to arrive during the third quarter of 1990.

Cuentas recalled that the first year of Cuban support to Bolivian health programs was limited to granting scholarships in the field of medical technology.

Later, this cooperation increased, providing intensive care units for the children's hospitals in La Paz, Sucre, and Santa Cruz. According to Cuentas, the cost of each of these units was about $500,000.

An exchange of professors from the La Paz Medical School and Cuban universities also took place.

Since 1989, Cuban technical assistance to Bolivia has been included in the framework of technical cooperation in developing countries [cooperacion tecnica en paises en vias de desarrollo].

Cuban support to Bolivian health programs is planned annually with the assistance of the Panamerican Health Office, Cuentas concluded.

IMF Reportedly 'Exerting Pressure' on Government

PY2606191590 La Paz PRESENCIA in Spanish 16 Jun 90 p 4

[Text] La Paz, 15 Jun (ANF)—Senate President Gonzalo Valda, who is also a top leader of the MIR [Movement of the Revolutionary Left], on 15 June admitted that the IMF is exerting pressure on the government to implement certain economic and financial measures. He denied, however, that the recent fuel price hikes were the result of that pressure.

Valda said that the government was forced to increase fuel prices by 20 percent on 14 June because of the internal situation and not because of the IMF pressure. He said that the hike was "nationally necessary" because of the gradual increase in the cost of oil byproducts.

Gonzalo Valda said that the government needs to implement an urgent economic reactivation to face unemployment, a process that, in his opinion, requires investments.

He indicated that an IMF technical evaluation mission was in the country until 13 June, and that the IMF and the World Bank are exerting pressure on the policies related to mining, metallurgy, the foreign debt, the exchange rate, and the balance of payment.

Government officials have admitted that the World Bank conditions its credits to the participation of private capital under a state-private enterprise system.

Following the criticism leveled following the fuel price increase, the opposition has said that the government has lost credibility by unexpectedly increasing fuel prices only a few hours after the ministers denied that possibility.

Chamber of Deputies President Fernando Kieffer has said that this type of measure must be implemented unexpectedly to prevent hoarding and speculation.

Brazil

Itamaraty Concerned About Number of DEA Agents

PY2706033890 Rio de Janeiro O GLOBO in Portuguese 26 Jun 90 p 7

[Text] Brasilia—The Brazilian Foreign Ministry fears that the increase of DEA—the U.S. antidrug organization—agents in Amazonia could affect national sovereignty. Concerned about the increasing power of the drug cartels, DEA is seeking to increase the number of its agents in Brazil and in neighboring countries, such as Suriname, to control the region. Diplomatic sources have reported that Itamaraty does not agree with DEA's purpose.

According to the sources, drug trafficking is a delicate matter that is included in the agenda of all countries. This issue, however, is not a matter of high-level concern for Brazil. The sources say that the increased number of DEA agents in Brazil may lead the country to lose control of the situation.

Itamaraty spokesman Jose Vicente Pimentel has said that drug trafficking should be dealt with as one matter by drug production and drug consumption countries, as well as by those used as routes for drug trafficking. The Secretariat for Strategic Affairs (which replaced the National Information Service) is taking into account the fact that Brazil is becoming a drug producing country—until that time it was considered only as a consumption country and as a route for drug trafficking—because repressive action against drug trafficking in neighboring countries has increased.

The Brazilian Government believes that the United States should not be allowed to exercise the "right of intervention." According to the Brazilian viewpoint, their high-level concern should be their domestic consumption. The U.S. consumption market currently involves $300 billion.

Brazil has signed bilateral antidrug cooperation accords with Suriname, Guyana, Colombia, Venezuela, Peru, Bolivia, Paraguay, the U.S. and Great Britain. These accords include several aspects of the drug problem, and establish the creation of mixed border subcommissions, which are also operating on the border with Venezuela (between Sao Gabriel da Cachoeira and Sao Carlos do Rio Negro, and between Branco and Santa Elena do Uairen), and on the border with Peru (between Tabatinga and Iquitos).

Economy Minister Zelia Cardoso Interviewed

PY2506205490 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 24 Jun 90 Economic Section p 5

[Interview with Economy, Finance, and Planning Minister Zelia Maria Cardoso de Mello by Luciano Suassuna at the Economy Ministry in Brasilia on 20 June]

[Text] [O ESTADO] The Collor administration took over with a liberal economic proposal and it has been accused of too much interference.

[Cardoso] I believe that there is enough evidence of the administration's liberal approach. The people just do not understand what is going on. The administration had to interfere to pave the way for the liberal policy. Twenty days after we took over, we began to free prices, salaries and foreign trade. The criticisms are not realistic. The society is now asking for a return of government interference. The society does not want free bargaining or free imports, it wants price control.

[O ESTADO] Do the businessmen feel like that, too?

[Cardoso] Yes. The businessmen always claim to be liberals, but as soon as we announced freedom of imports my Ministry began hearing complaints from all sectors saying that we should not do it, that it is too early, that it has to be gradual, that it should be this or it should be that. The minute we start practicing our liberalism we get criticized.

[O ESTADO] When was the best time you had during these 100 days of the administration?

[Cardoso] All times are good, all times are difficult. I have not had best or worst times. I have good days and bad days, all at the same time.

[O ESTADO] The Collor Plan is now 100 days old, the inflation rate is approaching 10 percent per month and the administration is hinting at the possibility of adjusting salaries to compensate for inflation. Has the administration backed off?

[Cardoso] Not at all. We cannot allow such confusion over figures. The administration's salary proposal is aimed at assisting the workers, the labor courts, and the businessmen in establishing the loss of purchasing power, otherwise we will be going around in circles. The workers make a few simple calculations and came up with a 166-percent loss of purchasing power of their salaries. The businessmen make no calculations at all and say that no purchasing power, or at most five percent, has been lost. If one side talks about 166 percent and the other about five percent it is very difficult to do business. We are trying to show the scientific method of coming up with accurate numbers in keeping with the base dates for collective bargaining. There has been no backing off. To use soccer terminology—since we are in the middle of the World Soccer Cup—we are trying to clear the midfield.

[O ESTADO] What about the 9.1-percent inflation recorded by the Sao Paulo Economic Research Institute Foundation [FIPE]?

[Cardoso] If you break down this figure you will realize that 80 percent of the increase is caused by the price of clothes (the increase in the price of winter clothes); natural products (meat and vegetables which are seasonal and in short supply during winter); and rents which are still burdened by the inflation of the cruzado through the system of yearly or semi-annual adjustments of 300 or 400 percent.

[O ESTADO] You have been saying time and again that any return to the system of indexing will scuttle the plan. Why?

[Cardoso] Take, for example, the FIPE inflation report and you will see that certain items went up only 0.01 percent. If you were to institute the indexing system the following month everyone would increase their prices by the highest index. You will see that when winter sales begin and different clothes come up for sale, inflation will fall. The same thing will happen with the vegetables and the meat.

[O ESTADO] Aren't you concerned about the increased inflation rate?

[Cardoso] No, I am not at all concerned about it. As I always say, the inflation rate is not a point of concern from the economic point of view. It is a concern from the psychological point of view. I know that with our inflationary culture, history, and memory this increase will make many persons want to readjust their prices. As a result, the following month's inflation rate will be higher because the prices will have been readjusted.

[O ESTADO] Are you sure that technically July's inflation rate will be less than 9.1 percent?

[Cardoso] It should be, unless the inflationary culture causes an impact, one never knows how much of an impact this may be.

[O ESTADO] Therefore, does inflation no longer depend on the government?

[Cardoso] One of my assistants today used a metaphor to describe the economic plan, which is perfect, the best I have heard so far. It is as if we were in a theater. There is a stage, a prompter's box, a stage where the actors are, and the people who give orders in the theater. The public is watching the stage—which is the Collor administration—and a cloud (the economic plan) darkens the stage. What the public does not realize is that the darkening cloud is already gone. They continue to look at the stage scenery without realizing that it has changed.

Only those on the stage and at the prompter's box know that things are not the same. After the sky becomes clear again, the government recovers the fiscal and monetary policy tools. This is why the government can firmly assert that inflation is under control. The problem is that the economic agents do not have access to these figures

and become insecure regarding what will happen to the inflation rate. Those who believe that it will go up again, and have the power to readjust their prices, do so, and as a result, the inflation rate goes up. This is the dilemma we are facing. We must convince these people that the stage scenery is no longer the same; that the cloud that has gone has made fundamental changes. But we know that it takes time for the people to realize that.

[O ESTADO] The Sao Paulo industries have dismissed almost 50,000 workers in May. Isn't that too high a price to pay for the control of inflation?

[Cardoso] I do not believe so. We must figure the following: What costs more, to put an end to inflation or to continue having it? We know how much it costs to continue having inflation. We have been suffering the effects of inflation for 10 years. For 10 years, we have not grown, we have been left behind technologically, and we have been having more and more unemployed people. We have been increasing the number of miserable people and the amount of misery in the country. We have been increasing the number of people who have never been to a doctor, who have no homes. We have been making our country more and more miserable for 10 years. These 50,000 unemployed people will join a crowd of people who have never had a job. We first want to put an end to inflation and then grow economically, and thus we will create jobs for the people.

[O ESTADO] Couldn't the social cost of this plan be smaller?

[Cardoso] The ideal thing would be to pay a very low social price for the fight against inflation. This could only be achieved, however, if all the sectors of society cooperated more. On Monday [18 Jun], we attempted to achieve that through the workers-businessmen free negotiation. The businessmen were ready to meet some demands, but their cooperation was not requested. The workers had demands and the businessmen even agreed to come to a truce on prices and dismissals. The government would come to a truce on dismissals and the workers to one on their strikes. We would thus cooperate mutually to find a solution to our problem. This way we would have started to tread a better path, which would not cost us such a huge social price.

[O ESTADO] Will society decide how far recession will go?

[Cardoso] Recession relies heavily on the reaction of society. The less cooperative a society, the higher the social cost.

[O ESTADO] Will recession increase after the failure to reach an agreement on 18 June?

[Cardoso] It will, at least at the beginning. We'll see what comes next. The failure to reach an agreement means that the industrial sector and the government will continue to fire workers. It will undoubtedly mean that unemployment will grow.

[O ESTADO] Can you guarantee that the situation of dismissed workers who had their savings accounts frozen will improve?

[Cardoso] The only guarantee that I can give is that I am convinced that inflation control is a precondition for resuming economic growth, that is to increase employment and income, and to improve everyone's living standards. Inflation has only fostered poverty and the concentration of income. My position is based on our history and on my theoretical knowledge. What we did was to prevent a total destruction of the country's assets and of the people's economy, something that would have happened in a hyperinflation process. Now we have a better chance of recuperating faster. In addition, people will get their money back. If there had been hyperinflation, that money would have been lost.

[O ESTADO] Are there any chances for unblocking cruzados before September 1991?

[Cardoso] No.

[O ESTADO] During the first 100 days of this administration, do you think you made some mistakes in the implementation of the Collor plan?

[Cardoso] It is very difficult to answer that question, because it is easy to find mistakes after a decision has been made. The point is that any decision you make depends on the circumstances prevailing at that time. In general, I do not like answering that type of question, because they are based on invalid premises. The important thing now is to identify the areas in which we succeeded to continue to succeed.

[O ESTADO] Has there been more success than failure?

[Cardoso] Our successful steps have far outnumbered our failures. If there were mistakes, it is because they were absolutely unavoidable. We made mistakes on some legal matters, but this was unavoidable. The way we designed the plan, with a team of only six people—without letting anyone else know about it—mistakes were absolutely unavoidable. I don't think anyone would have made fewer mistakes than we did, not even Captain America, as a friend of mine has put it. It should be recalled that we designed a stabilization plan outside the government. We had no information at all.

[O ESTADO] What are your main achievements?

[Cardoso] I think it was the right plan at the right moment. We did what we had to do. At that time we had no alternative. Only through this plan could the government recover its capacity to implement an economic policy.

[O ESTADO] What does it mean to implement an economic policy?

[Cardoso] Over the years, people have unfortunately become accustomed to the implementation of economic packages. There will be no more packages. Things will

work the following way: We will watch the market, the liquidity, the interest rate, and we will adopt measures to control those variables. Now, for example, everyone is complaining about the interest rate because people have only considered nominal rates, disregarding the fact that real rates are negative. This is how we will do things: We will increase or reduce the banks' requested deposits with the Central Bank. We will enforce a fiscal policy. We will adjust spending, tightening belts here, canceling projects there, and so forth. For example, if the level of indebtedness grows too big, we will restrict the contracting of debts. If the demand is too high, we will restrict credits to consumers.

[O ESTADO] Will the cruzeiro thus remain stable?

[Cardoso] That will be the actual result. It is like a plane that has already taken off and that is flying. If there is turbulence, we will change the course to avoid it. I always say: Do not expect any spectacular action from us because there will be none.

[O ESTADO] What will be the next steps in the Collor Plan?

[Cardoso] We will continue to enforce fiscal and monetary measures. We will introduce structural changes. This week we will release the new industrial and foreign trade policy, in which major changes will be introduced. I cannot report the details because there are still many decisions to be made.

[O ESTADO] How do you control the implementation of the plan on a day-by-day basis?

[Cardoso] I monitor the indexes released by the Secretariat of Economic Policy. We have indexes for liquidity and for tax revenues. We have a very well organized information system, and there is a group that is monitoring the information.

[O ESTADO] What is the estimated annual inflation rate based on those indexes?

[Cardoso] We are finalizing our calculations this week. We are reviewing the budget, foreign debt payment, inflation, public deficit, etc.

[O ESTADO] When will the government adopt the method for negotiating the foreign debt that was announced during the electoral campaign? When will each state and municipal district begin paying its own debts?

[Cardoso] We are studying the subject. I will meet with the group that is analyzing the issue next week. At this time I cannot say anything.

[O ESTADO] When will privatization begin?

[Cardoso] As soon as Congress approves the designation of a privatization committee we will submit to President Collor a list of enterprises that may be privatized. The technical studies are ready and the process should follow with the publication of adds calling for offers, etc. After the committee is designated, we will have approximately 60 days to begin the process.

Provisional Measure on Salaries, FRS Submitted

PY2706025890 Brasilia Domestic Service in Portuguese 2200 GMT 26 Jun 90

[Excerpt] President Fernando Collor has submitted to Congress a provisional measure creating a mechanism to compensate for the deterioration of salaries before the implementation of the new Brazil plan.

The compensation will be calculated on the basis of a new index, the FRS [salary reconstitution factor] [fator de recomposicao salarial], which will remain in force until 1 August 1991.

Salaries are now freely negotiated. To compensate for the deterioration that salaries underwent before the stabilization plan, the government created a mechanism that will be adopted as of now, or the next base date for each sector.

Salaries will be corrected on the basis of the FRS. Secretary for Economic Policy Antonio Kandir has said that salaries paid on the last base date will have to be converted, on a month-by-month basis, and then expressed in terms of the FRS. At the end of a 12-month period, the monthly amounts are added and then divided by 12. The result is the effective FRS salary, which must be multiplied by the index that was valid on the last base date. Daily indexes are included in a table calculated by the Ministry of Economy.

Kandir, as an example, mentioned a salary with a base date in June, of a worker who earned 1,000 cruzados in June 1989. At the end of May 1990, this value will be equivalent to 452.75 FRS's. To calculate this figure, the worker will have to resort to the table and use as multiplier the index of 30 June 1990, which is 90.0222. Therefore, the real salary of June 1990 will be 40,757.53 cruzeiros.

Kandir explained that real salaries will be the basis for free bargaining between workers and employers. This will not prevent enterprises from granting higher readjustments. Only one salary readjustment may be granted on a date other than the base date. Companies, however, are free to grant advances to workers provided prices are not increased. [passage omitted]

Message on Antidrug Fight Sent to United Nations

PY2706031890 Brasilia Domestic Service in Portuguese 2200 GMT 26 Jun 90

[Text] The government today sent a message to the United Nations on the international day against drug use and drug trafficking. In the message, which was addressed to United Nations Secretary General Jaiver Perez de Cuellar, President Fernando Collor reiterated the Brazilian Government's determination to fight drug

trafficking through practical, directed action, in compliance with the cooperation agreements that were signed with the international community. In the message, President Collor added that on the internal front Brazil has developed education programs aimed at discouraging drug use, rehabilitating drug addicts, and ending drug trafficking.

Police Burn 406 Kg of Cocaine Seized at Airport

PY2706032290 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 26 Jun 90

[Text] The Para Police burned 406 kg of cocaine on the international day of the fight against drugs. The cocaine was seized last month. The Federal Police performed a special operation to transport the drug, which was tested and weighed in the presence of court officials. The bags of cocaine were burned in an oven at a temperature of 2,000 degrees. Valued at more than $10 million, the drug had been left by three men at the Porto de Moz airport. The traffickers are being held in Belem.

Cocaine Trafficking Reportedly Increasing

PY2506215490 Rio de Janeiro O GLOBO in Portuguese 24 Jun 90 p 10

[Text] Corumba, Mato Grosso do Sul State--Around 400 tons of cocaine were brought to Brazil from Bolivia in the first five months of 1990. This is double the quantity taken in last year. This report, released by the Federal Police, reflects that drug trafficking has greatly increased in Bolivia, from where the drug is easily taken to the international market over the 250 km-border with Mato Grosso do Sul State. This information also reveals that the authorities are losing the war against drug trafficking, which renders $15 billion (1.3 trillion cruzeiros in the black market).

The Bolivian Government has said that 90 tons of cocaine have been produced in the country, but the Brazilian police have rejected this information. This could be an attempt by the Bolivian Government to minimize the impact of its real situation abroad, especially in the United States. Approximately 80 percent of the Bolivian cocaine is brought to Brazil through Corumba, a city which has more pharmacies than butcher shops. The trade of ether and acetone—the raw materials for cocaine processing—is a flourishing business in Corumba and the police can do nothing in situations such as a pharmacy that sells the incredible amount of 462 liters of acetone per month. This is far too much for a product whose main legal use is for women's nail-polish remover.

In Acre, the last Brazilian state which has been invaded by drug traffickers, the epadu [a Brazilian variety of marijuana] threatens to replace the rubber trees. In this state, the Federal Police and the Army have discovered that drug traffickers barter drugs for weapons, ammunition, clothes, and food with the Peruvian Shining Path terrorists.

CUT Leader's Intransigent Stance Stymies Talks

PY2206015690 Rio de Janeiro O GLOBO in Portuguese 20 Jun 90 p 18

[Text] Brasilia—United Federation of Workers (CUT) President Jair Meneguelli yesterday gave a convoluted explanation to justify his intransigent attitude at the meeting with businessmen. He said that the government's attempt to negotiate a truce with businessmen and workers was nothing but a maneuver to divert attention from what he called the failure of the administrative reform. Although he defended dismissed workers at the meeting, Meneguelli yesterday said that the attempt to negotiate a truce has displaced from the headlines the government's failure to fire 360,000 public servants before 19 June.

Said the labor leader: "They played that trick on us." Both Finance Minister Zelia Cardoso and labor leader Luiz Antonio de Medeiros have blamed Jair Meneguelli for the failure of the negotiations. Meneguelli, however, has looked for an excuse for his intransigence: He said that the dismissed public servants will not blame him for that situation.

"When public servants are notified of their dismissals, they will not blame me but President Fernando Collor," Meneguelli said.

The labor leader claimed that at the 15 June meeting at the house of businessman Emerson Kapaz, he made it clear that it would be impossible to negotiate unless the dismissals were suspended. He added that he agreed to attend the meeting in Brasilia only because Secretary for Economic Policy Antonio Kandir had promised to consider the dismissals in the first part of the meeting.

Meneguelli, however, does not believe that the failure to reach a tripartite agreement marks the end of all negotiations. On the contrary, he believes that the results will depend on everyone's negotiating capacity.

"It did not work out this time, but we will surely have to talk again. Everything will depend on the circumstances," Meneguelli said.

Brazil-USSR Chamber of Commerce Head Installed

PY2106173690 Rio de Janeiro O GLOBO in Portuguese 20 Jun 90 p 19

[Text] Theophilo de Azeredo Santos, president of the Rio de Janeiro Banks Union, was installed yesterday as chairman of the Brazil-USSR Chamber of Commerce and Industry. He will seek to promote the creation of joint ventures [preceding two words in English] because he believes this is the best system for increasing trade between the two countries.

Theophilo said that he has already reached an agreement with the directors of Banespa [Sao Paulo State Bank]—which will open a branch in Moscow in the second half of the year—so that the bank and the Brazil-USSR

Chamber of Commerce will promote events and programs in Moscow to increase bilateral trade. This trade accounts for approximately $400 million (22.5 billion cruzeiros in the commercial exchange) per year.

Valery Vainov, chief of the Soviet trade office in Rio de Janeiro, has agreed with Theophilo's proposal on the creation of joint ventures [preceding two words in English]. According to Theophilo, these commercial organizations should be created by industrial and foreign trade enterprises.

Deforestation Linked to Increase in Leishmaniasis

PY2506154290 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 25 Jun 90

[Text] Uncontrolled deforestation is causing an increase in the skin disease called leishmaniasis, which is transmitted by phlebotomus insects commonly known by the name of asa de palha [straw wings].

According to the Leishmaniasis Research Laboratory of Minas Gerais, 49 cases of leishmaniasis were reported between October 1988 and October 1989; 50 percent of the patients live in residences located on the outskirts of Belo Horizonte. Dr. (Valeria Maria de Oliveira), a research team member, believes the insects that transmit leishmaniasis are currently in the process of adjusting to city life after having been expelled from the jungle by indiscriminate deforestation.

* Economic Team Member Kandir Profiled

* Academic Background, Influences

90SM0125A Sao Paulo O ESTADO DE SAO PAULO (Economic Section) in Portuguese 20 May 90 p 10

[Article by Maria Aparecida Damasco: "Kandir: The New Presence in the Economy"; first paragraph is editor's foreword]

[Text] He is one of the authors of the Collor Plan, and even during the crisis won influence within the team.

A new face and new voice are increasingly present in the foreground of the national economic picture. The announcement of the government's economic measures, and the explanations to the most diverse audiences, are very frequently entrusted to Antonio Kandir, secretary of economic policy of the Ministry of Economy and one of the authors of the Collor Plan. His advancement, however, did not coincide with the rise in prestige of the economic team, as might have been expected. It was precisely during last week's crisis—when in less than 24 hours the government decreed the collection of an additional IOF [Financial Operations Tax] and then reversed itself—that he was confirmed as one of the principal figures in the Collor economic program.

Kandir celebrated his 37th birthday on 2 May at a small gathering with the "ministry team" (for almost 15 years Kandir has been a part of the groups of economists who were repeatedly the focus of the events of the 1970s and 80s). He always preferred, however, to work behind the scenes. He worked in 1976 and 1977 at the Applied Economic-Social Research Institute (IPEA), which was regarded in those days as the government's "critical conscience" in the area of economics. In 1983 he became one of Jose Serra's immediate assistants at the Secretariat of Planning in the Franco Montoro administration of the state of Sao Paulo. In 1985 he was named by Joao Sayad, secretary of planning in the Sarney administration, to help in the preparation of the Third National Development Plan (PND).

Kandir's progression in the political area was of a similar nature. Without being the star of any political party, he took part in various opposition movements and was one of the authors of the economic platform of the PT [Workers Party]. After moving from the PT to the PSDB [Brazilian Social Democracy Party] he voted for Mario Covas in the first round of the presidential elections and for Lula in the second round. He voted, and did so openly.

For that very reason he has received several rewards for his quick endorsement of the Collor administration. "I am independent, not dogmatic, and not under the protection of political parties," is Kandir's definition of himself. He insists that he did not hesitate a minute when Zelia Cardoso de Mello invited him to join her team. "I always realized that hyperinflation would be dramatic, and for that reason I would collaborate with whoever attempted a policy of price stabilization," he explains.

Kandir had already been very close to the government on at least one occasion. He was one of the technical experts of the Commission for the Government Plan of Action (COPAG), coordinated by Serra, who prepared an economic plan for Tancredo Neves. The plan was shelved; Serra and the members of the group remained outside the government. For that reason, when Zelia's candidacy for minister of the economy appeared to be in trouble in mid-January, Kandir's friends joked that he was "jinxed" and would never again be invited to join any government team.

Academic Training Leads to Obsessive Urge To Fight Inflation

The obsessive need to do nothing by halves is a dominant trait in his personality. Kandir entered the Polytechnic School in Sao Paulo at age 17 and without a preparatory course, with the intention of specializing in naval engineering—which he regarded as the "ultimate in engineering." Before the end of the first semester, however, he regretted his choice. During a visit to a shipyard at Angra dos Reis he saw at close hand the limits created by technological dependence.

By the time Kandir left the shipyard he had resolved to embark on a different course. His interest in technology attracted him to economics. He nevertheless finished the course of studies in 1975. His graduation thesis—concerning the impact of technological change on the

performance of various sectors of industry—was already on the borderline between engineering and economics.

His paper—which won a prize at the Polytechnic School—circulated in academic circles and won him a job with the IPEA. Kandir arrived in the capital in 1976 and immediately caused astonishment at the accelerated rhythm of his activities. In less than one month he completed a critical evaluation of the basic producer goods program—one of the pillars of the Second PND—which fell into the hands of the press and caused friction between the then Minister of Industry and Commerce Severo Gomes and Minister of Planning Joao Paulo dos Reis Velloso.

It was during this stay in the capital that he learned to like Brasilia. "The city is ideal for anyone who likes to study and for anyone who suffers from bronchitis, like me," he jokes. He returned to Sao Paulo in 1977, earlier than planned, because of his mother's serious illness. This enabled him to begin work toward his master's degree at UNICAMP [Campinas State University]. Kandir says he regards himself as a member of the "UNICAMP team," although he does not identify himself with all of the positions and opinions expressed by the economists of that institution.

For that very reason it was not surprising that he had little enthusiasm for the Cruzado Plan, the most perfect synthesis of the concepts advocated by UNICAMP at that time. "I did not feel comfortable endorsing the theory that Brazilian inflation was rising mainly as the result of inertia," he said. Moreover, by early 1988 he was already proclaiming the need for privatizing the state enterprises and thereby contradicting one of UNICAMP's basic tenets.

It was precisely in those days that he formed a close relationship with Serra, one of those who most strongly influenced his career and his thinking. The economist brought him to the Brazilian Analysis and Planning Center (CEBRAP), a nucleus of opposition intellectuals, where he spent the last eight years. Together with Lidia Goldenstein, Gesner de Oliveira Filho, and Fabio Villares—among others—he proceeded to form a group of young professionals who were dedicated to studies of the current economic situation.

Kandir says it was during these discussions that he developed his obsessive concern about prices. He initially attempted to identify the so-called "dynamics of inflation"—the subject of his doctoral dissertation at UNICAMP, which was written in large part during the seven months he spent at the Kellogg Institute at Notre Dame University in Indiana.

Kandir progressed naturally from the causes of inflation to stabilization policies that would combine major adjustments in the public sector with some type of unorthodox policy on prices and wages. This was the contribution that the economist brought with him to Zelia's team. There was no special relationship between the two, who had met in Campinas in 1979 but had never been close.

Zelia sounded him out initially on 26 December and formalized the invitation on 3 January, just before Kandir traveled to Great Britain, where he was to take part in a seminar at the University of Sussex. Kandir accepted her invitation without hesitation, completed the program in Great Britain in only one week, and returned to Brasilia as a member of Zelia's team. He went directly from the airport to the Hotel Transamerica in Sao Paulo for a weekend of conferences at which the basic points in the Collor Plan were finalized, including the monetary reform.

What has happened since then is well known. The team took the stabilization plan to Collor, received his approval, and left to work out the details of the various measures. Until 16 March many sleepless nights were spent under the tension of the work and the secrecy indispensable to the preparation of the economic reform, inasmuch as the computer diskettes containing the principal measures to implement the Plan were kept in his office.

The energy for the following day came from his tremendous enthusiasm, which he derived from the challenges and from kilograms of chocolate gulped down in place of conventional meals. "I have liked challenges ever since I was a child," he explains. Kandir recalls that at the end of the elementary course of study he became embroiled in a six-month-long dispute with the rector of the Archdiocesan Academy—which he was attending—in an effort to take the entrance examinations without taking the fifth year of studies. "You are not able to do that; you have not lost all your baby teeth yet," the rector said sarcastically. Three days before the examinations, Kandir succeeded in overcoming the opposition of the school administration. He secluded himself in his grandmother's house, studied for three days and three nights, and passed the examinations.

• Family Life Portrayed

90SM0125B Sao Paulo O ESTADO DE SAO PAULO [Economic Section] in Portuguese 20 May 90 p 10

[Article by Ana Maria Geia: "Separated From Almost All Passions"]

[Text] The economist Antonio Kandir is fond of saying that there are four things he enjoys most in life: living in intimate contact with family and friends; sports; the cinema; and his work. In recent days he has been forced to give up the first three. His work routine in the government—of at least 12 to 13 hours per day—separated him even from his seven-year-old daughter, Gabriela, who lives in Sao Paulo. Kandir is far from suffering exhaustion, however, and his family insists that he still has stamina aplenty.

His father, Said Kandir, was one of the victims of the massacre that resulted from Turkey's invasion of Armenia

in 1915. The son of influential politicians of the city of Mardin, Said was only two years old at the time of the massacre. His family was decimated, and the little boy—half dead, his wrists slashed—was finally saved by the priests of a secondary school. There he lost the "-sian" of his surname—in order to remove that indication of his origin—and was educated as a Turk until he was 19, when he came to Brazil and met and married Farida, a Syrian.

Leftist Friends Receipt for Political Turnabout

According to the three male children of Said and Farida, the family is of the opinion that Antonio was the one who inherited their father's combative side. "He is obsessive, determined, and a perfectionist," is the description offered by Antonio's friend and former wife, the economist Adriana Caruso Kandir, to whom he was married from 1982 to 1988. "He gets everything he wants, because he is a workaholic," add his brother Jose, 40, and the youngest brother Luiz, 28.

Although the family's estimation may be suspect, academic circles confirm his reputation. Kandir is regarded as a hard worker, a brilliant and dedicated technician. He nonetheless has not failed to receive the barbs of his friends who shared his leftist political affiliation. "It would not take long for Kandir to realize that this administration is incompatible with all his beliefs," admonishes Plinio de Arruda Sampaio Junior ("Plinzinho"), son of the PT [Workers Party] candidate for governor of Sao Paulo and Kandir's friend since his days at the university. "But only if he finds it possible to dissociate his technical persona from politics," says Monica Baer, economist and professor at UNICAMP.

Even his family was surprised that Kandir joined the Collor administration's economic team. "I almost fell over backwards when he told me," Adriana admits. She calmed down only after the announcement of the package. "He had everything to do with it," said his former wife.

During a family reunion at his brother Jose's ranch in Capao Bonito, Sao Paulo, shortly before the measures were announced, Kandir attempted to issue a gentle warning. "Everyone is going to lose, some a little, others more." This warning to the family was to no avail. Kandir's brother Luiz, who always followed his father's advice not to put all his eggs in one basket, was the one who lost the most. "During the first days of the Plan," he confesses, "I wanted to string my brother up."

Kandir had been acting as a kind of economic adviser to the family. "He developed techniques that were very profitable for my ranch," Jose insists. The only college graduate in the family, Antonio Kandir was always very studious. His father used to give small sums of money to his sons if they achieved distinction in school, and top grades in Portuguese and mathematics earned double those sums. "That could be one reason he is so good in mathematics," Adriana jokes.

As a Sao Paulo native from Vila Mariana and of humble origin, Kandir began working while still in short pants—at only 10 years of age—in his father's stationery store, the "Casas Kandir," one of the oldest stores in Sao Paulo, located for 50 years in the downtown district and today operated by Luiz. "Tony," as the family calls him, could not stand the store for very long. To survive without financial aid from his father, he would stay awake all night typing voluminous notes taken in classes at the Archdiocesan Academy, which he was attending. On the following day he would sell the notes to his fellow students who had been absent from class.

Video: Torture for an Avid Movie Fan

After the death of his father in 1984 and the loss of his mother three years later, Kandir drew even closer to the family. He is someone who enjoys a good bull session at home and with friends—a custom that has been virtually eliminated during the past four months. An ailing Sao Paulo resident who loves sports, he had to give up tennis and the classes in aerobic gymnastics at the Runner Academy in Moema; nor does he any longer go swimming with Adriana, his long-time partner, whom he affectionately calls his "ex-almost-future wife."

Another of his great passions—the cinema—was also put aside. Kandir—who during his first stay in Brasilia, in 1976, even directed a short film based on the story "Feliz Ano Novo" [Happy New Year] by Rubem Fonseca—is today forced to limit himself to the videocassette. "To view 'Bagdad Cafe' on video was real torture, and I never tired of imagining how it would be on the movie screen," he says.

What bothers him most, however, is the separation from his family. "If it were up to me," Jos. worries, "Tony would not be up there, for it is very exhausting." The economist is so preoccupied with the Collor Plan that he has put his personal affairs aside. His ex-wife says that until a few days ago he had not received his salary as secretary of economic policy, because he had not submitted the documents required by the bureaucracy. "They held up my brother's pay and did not release even 20 percent of it," jokes Luiz, who has not resigned himself to Antonio's absence from the family gatherings.

Chile

Minister Rojas Terms Pinochet Meeting Technical

PY2606181790 Santiago Domestic Service in Spanish 1100 GMT 26 Jun 90

[Text] Defense Minister Patricio Rojas has termed the meeting with Army Chief of Staff General Augusto Pinochet Ugarte as purely technical.

The meeting, which was held at the Army General Staff Meeting Room and lasted more than three hours, was held to fully brief Minister Rojas about the functions of each Army department.

[Begin Rojas recording] During the meeting the Army chief of staff and the Army high commanders described the functions of the Army administrative organization, the general situation of the institution, the planning of the contributions that the institution has made to the national infrastructure, the condition of the institution's equipment, and its permanent concern of maintaining the dissuasive and defensive capacity of the institution at a good level to meet the surrounding needs, noting that all this is done within national financial resources.

We congratulated each other on the fact that Chile is evidently living in peace with neighboring countries and that the possibility of a conflict is almost nonexistent. The democratic government will continue to work to maintain the current peace not only with our neighbors but with all other countries in Latin America and the rest of the world.

I can say that the main branch of our Armed Forces has a good level of training, planning, and organization and that some structural changes will surely be made. [end recording]

Regarding the structural changes, the minister said that they are entirely institutional and will not affect the Chilean domestic order.

Commenting on the possibility of holding a private meeting with Gen. Pinochet, the minister said that this is the first of a series of meetings. Commenting on the Army decision to file a suit against General Toro, the minister said that it will not be especially important because the suit lacks merit and that Gen. Toro did not mean to offend the Army or its members.

Minister Rojas concluded by emphasizing that relations between the government and the Armed Forces are excellent.

Barco Visits Supreme Court, Discusses Narcotics

PY2606185790 Santiago Domestic Service in Spanish 1100 GMT 26 Jun 90

[Text] Colombian President Virgilio Barco Vargas has paid a protocol visit to Supreme Court Chairman Judge Luis Maldonado. Barco was accompanied by Foreign Minister Julio Londono, the development minister, and two Colombian congressmen.

After the meeting, Barco said that they discussed several topics, including drug trafficking. He said that cooperation between Chile and Colombia in the antidrug fight was not discussed. He briefly commented on the antidrug fight in his country, and on the role of the Colombian Judicial Branch in this fight.

[Begin recording] [Barco] Our judges fulfill their duties, and that is why they have adopted the current measures.

[Unidentified reporter] How would you classify the situation being experienced in Colombia two months before you leave office?

[Barco] I feel entirely calm about the situation because I have fulfilled all my promises and performed all my duties as president. [end recording]

Barco then said that he has a very high opinion of the Chilean Judicial Branch.

Joint Declaration Signed

PY2706023490 Santiago Radio Cooperativa Network in Spanish 2300 GMT 26 Jun 90

[Text] Chilean President Patricio Aylwin and his Colombian counterpart Virgilio Barco this afternoon signed a joined declaration whereby they announced their decision to sign an accord on the antidrug struggle by the end of the year. The declaration that was signed at the Commodore Arturo Merino Benitez International Airport was the result of the two-day official visit that President Virgilio Barco made to Chile.

During his visit, Barco executed an intense official agenda, under the most extreme security measures since the Colombian president comes from a country that is facing a wave of violent terrorist attacks.

Barco and Aylwin agreed on the fact that drug trafficking represents a threat to the stability of countries of the continent. They said they have ordered their respective foreign ministries to speed up the negotiations to sign an accord on the antidrug struggle.

Chilean Foreign Minister Enrique Silva Cimma spoke at the end of the ceremony.

[Begin recording] [Silva Cimma] During his visit, President Barco has stressed the need for the two countries to sign a bilateral accord on drug trafficking. This is a problem of high-level concern in Colombia, all Latin American countries are concerned about this scourge. We should worry about this problem because the Chilean northern sector is on the border with two coca producing countries and is used as a route for drug trafficking. We should provide our protection and support to Colombia.

[Unidentified reporter] Does the Foreign Ministry have more concrete evidence on drug trafficking in our country and on money laundering?

[Silva Cimma] Recent reports state that drug consumption has been detected in the Chilean northern sector, and that this area is also being used as a route for drug trafficking. While this is worrisome, it is not a matter of high-level concern in Chile as it is in countries such as Bolivia, Colombia or others. [end recording]

Aylwin bid farewell to Barco in an atmosphere of great solemnity.

Foreign Ministers Sign Agreement

PY2706030890 Santiago Domestic Service in Spanish 2300 GMT 26 Jun 90

[Report by Antonio Cofre]

[Text] The foreign minister of Chile, Enrique Silva Cimma, and of Colombia, Julio Londono, have signed an agreement by which the two countries will establish joint diplomatic missions in countries where Chile or Colombia do not have a mission. This was reported by the Chilean foreign minister following a meeting with his Colombian counterpart. The two countries will also establish joint diplomatic missions in the countries where neither of the two have a mission. Silva Cimma said that this initiative has positive aspects, such as joint diplomatic actions.

In turn, Colombian Foreign Minister Julio Londono said that this agreement represents a step forward in Latin American integration.

[Begin Londono recording] With these actions, with this example we are setting, we are essentially contributing to Latin American integration. In the past such integration was simply limited to economic declarations, which in practice, when it was time to really work together—which is what political integration is really about—the distrust and [word indistinct] prevailed. No one was willing to yield on unimportant issues for the sake of unity and concerted action as well as of [words indistinct] unity. [end recording]

Foreign Minister Londono and President Virgilio Barco will return to their country today, after a three-day visit to Chile.

Foxley To Hold UK, U.S. Talks on Economy

PY2606164690 Santiago Domestic Service in Spanish 1100 GMT 26 Jun 90

[Report by Veronica Rubio]

[Text] Finance Minister Alejandro Foxley has announced that this weekend he will leave for the UK and then for the United States to hold talks with high-ranking government officials and members of financial organizations, including the British treasury minister [as heard] and representatives of the Inter-American Development Bank (IDB) and IMF.

He pointed out that this trip is part of the government campaign to make Chile again part of the international markets. He also said that, together with the Economy Ministry, his ministry will implement a series of measures to strengthen Chilean exports.

[Begin Foxley recording] We have also been working hard to integrate the Chilean economy into the international economy. Together with the Economy Ministry, we will adopt a series of measures to strengthen export mechanisms. We are working hard to reincorporate Chile into the international financial markets. Our economy's growth will depend very much on us being capable of making our economy function on the international level, as a first class economy must function. [end recording]

He also said that the government will assign 90 percent of the funds obtained from fiscal reform to social projects. This will be done through the implementation of a prudent, effective fiscal policy. He explained that the increase in the minimum wage, the 2-point increase in the VAT [value-added tax], and other social benefits will make the inflation rate go up in the next few months. He said, however, that the rate will stop increasing when the market becomes adjusted to these changes.

[Begin Foxley recording] In the immediate future, the inflation rate will go up slightly, but this does not mean that it will become as bad as it was previously. Public expenses are no longer excessive, so the increase will be a result of some of the redistribution measures we have adopted because they were necessary. This increase will occur only once. [end recording]

Foxley explained that the increase should not alarm anyone because the government is doing its utmost to keep the yearly inflation rate below 25 percent.

PDC President Meets PCCh Secretary General

PY2206192590 Santiago Radio Chilena Network in Spanish 1700 GMT 22 Jun 90

[Text] The Christian Democratic Party [PDC] has asked the Communist Party of Chile [PCCh] to join the democratic process that the country is experiencing. The PDC did this through [newly elected] PDC President Andres Zaldivar, who held a long meeting with PCCh Secretary General Volodia Teitelboim.

Zaldivar conveyed to Teitelboim the PDC's and the country's concern over various terrorist actions. The latter responded that he rejects violence and that, at any rate, he is not certain that these terrorist actions come from ultra-leftist sectors.

The PDC president also asked the PCCh to cooperate with the various social and political agreements that the country requires. Zaldivar said that the communist leaders admitted that, concerning the different violations of human rights, the responsibilities are individual and not institutional. He added that the PCCh has separated the human rights problem from the political prisoners problem.

In conclusion, the PDC president reported that the PCCh, through Volodia Teitelboim, pledged to support the Cumplido Laws.

CEP Poll Reflects Optimism About Government

PY2306145290 Santiago Domestic Service in Spanish 1100 GMT 23 Jun 90

[Excerpt] A CEP [Center for Political Studies]-ARIMAR [expansion unknown] poll performed on the second quarter of 1990 reflects significant optimism and growing expectations about the government's performance, especially in connection with the work of President Patricio Aylwin.

Based on a sample of a little more than 1,000 people, who represent 48 percent of Chile's total population [as heard], the poll concluded that 57 percent of Chileans believe the country is now making progress, while 37 percent believe Chile is stagnant.

As for the economic expectations for the next 12 months, 60 percent of those polled believe their economic situation will improve, 26 percent believe it will remain unchanged, and only seven percent believe it will worsen.

CEP-ARIMAR President Arturo Fontaine has said there is the risk that if the expectations are not met, the resulting frustration may cause an atmosphere of disappointment and, consequently, a drop in the popularity of the government. [passage omitted]

* Role in Evolving International Economy Viewed

* EC Views

90SM0124A Santiago EL MERCURIO in Spanish
6 May 90 pp 8d-9d

[Interview with European Community Commission member Abel Matutes by Claudio Garate; date and place not given; first 11 paragraphs are introduction]

[Excerpts] "Latin America is at a historic crossroads: either it moves towards the 21st century or it stagnates," avers Abel Matutes, a duly licensed attorney at law and a member of the Commission of the European Communities (EC).

Besides being a businessman and vice president of Spain's People's Party, Matutes is in charge of EC policy in the Mediterranean, relations with Latin America and Asia, and North-South ties.

"We can do little unless Latin Americans decide to remove their archaic social, economic, and political structures and energetically undertake the task of modernizing the continent," the commission member says.

He feels that owing to the magnitude of the changes required, they must be carried out in a democratic framework.

In his judgment, the crucial challenge facing these countries is to achieve sustained economic growth under noninflationary conditions. His prescription is categorical: Government intervention in the economy must be reduced; the efficiency, professionalism, and ethics of public service must be improved, and the policy of import-substitution "at all costs" must be abandoned, thus opening up national economies so that industries are modernized under conditions that will insure their competitiveness.

Confidence

The third area on which attention must be focused, in Matutes' view, is fiscal reform. He cites Professor Donbusch of MIT, who has said that taxes in this region amount to less than eight percent of GDP, Argentina being an extreme case, where they are equivalent to 0.5 percent.

Diversification and value-added industries must also be promoted, he explains, by promoting foreign investment.

"All this, for what reason?" he asks. "Well, to secure the fundamental ingredient of economic success: confidence."

He is talking about the confidence of economic players in the stability of political and judicial institutions, confidence so that the capital that has left will return, and confidence to improve the attitude of the industrialized countries.

He feels that efforts must be made to diversify and to open up economies at the same time. In this connection he feels that "the most striking examples" are Chile, Mexico, and even Bolivia, where for now "the results are spectacularly good."

"As for Chile, we want to take advantage of its magnificent economic conditions and take an additional step in our cooperation." [passage omitted]

The Other Cooperative Effort

[EL MERCURIO] As the Economic Community seeks closer relations and cooperation, what sort of priority does Latin America have in comparison with East Europe?

[Matutes] In the case of East Europe we are seeking to fulfill a historic responsibility. I'm convinced that by doing this we're contributing to the world's political stability. To the extent that these countries overcome their difficulties, they will become new markets for products from the rest of the world.

In the Community's recently completed revision of its 1991 and 1992 budgets we approved an increase in financial aid to Latin America of around 60 percent for this period. This means that the contributions that we are making to East Europe have not only not hurt this budget item but have enabled us to strike a sort of balance.

[EL MERCURIO] What features ought to prevail in a potential Latin American economic integration and how do you view the world scene with an integrated regional market, for example?

[Matutes] Clearly, along with the multilateralism that we are seeing in the world, a parallel phenomenon is under way: multipolarism, in the sense that the world is multipolar, and this is taking shape around regional integrations. Countries today are too big to resolve their small problems (hence all of them are engaged in decentralization processes) and too small to resolve their big problems, and therefore along with decentralization, integration processes are under way, and in Europe the Community is aware of this after 33 years experience.

A great deal of willpower is needed to undertake these economic and political integration processes, but political will is not enough. This desire has to be translated later into specific, complex accomplishments every day: dismantling tariff and nontariff barriers, joint integration projects, whether of infrastructure or something else.

[EL MERCURIO] In other words, integrate or perish.

[Matutes] In the final accounting, it's a question of integrating or perishing, in other words, having a lot more trouble surviving. In any case, the Community is sympathetic to all regional-integration processes, no matter where they are taking place in the world, and we're always prepared to contribute our experience, our abilities as experts in this matter wherever we're needed and only to the extent that we're needed, because we're not trying to impose our model on anyone.

[EL MERCURIO] Why do so few Latin American products in general reach European markets?

[Matutes] This problem mainly has to do with the insufficient diversification of production in certain Latin American countries. It is clear that only the countries that base their development on foreign trade, on boosting exports and imports, are posting stable, sound growth today. Let's not forget this. And to this end they have to try and diversify their economies and move into manufacturing and services, among other reasons because the primary sector (raw materials, farm produce, and livestock products) has little growth potential in Europe. It's unlikely that people there are going to be eating more butter, more meat, or more wheat, because right now they're at a level that could be unhealthy.

Relations With Chile

[EL MERCURIO] What could this increase in EC aid to Latin America mean specifically for Chile?

[Matutes] The Community is prepared to negotiate a wide-ranging cooperation treaty with Chile. I've already had a chance to speak with President Aylwin, Foreign Minister Silva, and Minister Molina at a long and cordial meeting. The government was altogether receptive, and if you wish, we could reverse the equation and say that the Community was receptive to the request that the Chilean Government had planned to make.

[EL MERCURIO] What features of such a treaty would make it different from others that already exist?

[Matutes] It's a treaty that I would call third generation, in the sense that besides including commercial aspects (first-generation treaties) and economic cooperation among companies, European investment in Chile (second-generation treaties, the ones that we have signed with most of the countries in the region), in this case we ought to take advantage of Chile's splendid economic situation, take one step further, and incorporate coequal scientific and technological cooperation, technology transfers from the European Community to Chile, and the involvement of Chilean universities and companies in Community research and development programs. This is the new twist, which if successful would be a splendid model that could then be extended to other countries in the area.

[EL MERCURIO] What economic agents do you assume would be able to take part in such a process?

[Matutes] In these treaties we want to design a framework of cooperation, complemented by financial aid and all other tools. Afterwards, however, the leading role belongs mainly to businessmen, to the economic agents who have to use our loans to develop projects, although the purely financial aspects of the investments are an issue that European and Chilean businessmen will have to resolve. The Community generates around $500 billion in savings a year; this means that if a country is politically and economically stable and if there are good projects to undertake, there is no lack of financing.

[EL MERCURIO] Is this why you thought of Chile?

[Matutes] That's one of the reasons, obviously.

Multilateralism

[EL MERCURIO] Chile has had trouble placing products on the EC market. Could this bid for cooperation translate into a lowering of these barriers?

[Matutes] Everything having to do with the Community's foreign trade is governed by GATT rules. The reason is very simple. Today, and more and more so in the future, multilateralism will be the prevailing factor in trade. Bilateralism is altogether a thing of the past, because to the extent that a country favors some, it is automatically discriminating against others. So, we always advocate moving forward on the path of multilateralism.

[EL MERCURIO] But there are sectors such as agriculture that are not completely open.

[Matutes] Although there are still sectors of our Community economy that are not yet completely open, agriculture in particular, the fact is that in every respect we're following GATT rules. We trust that the talks of the Uruguay Round in Brussels late this year will allow for appreciable progress both in agriculture, in decontrolling services, and in protecting intellectual-property rights. Moreover, since Chile has also asked to join GATT and has even announced major tariff reductions, I think that it is perfectly suited to further boost its already heavy trade with the Community. We're Chile's main trading partner, as 36 or 37 percent of your country's total exports go to the Community.

* Export Measures

90SM0124B Santiago EL MERCURIO in Spanish 13 May 90 pp 1b-2b

[Interview with Director of International Economic Relations General Directorate Augusto Aninat by

Claudia Godoy L.; date and place not given; first five paragraphs are introduction]

[Text] Busy. Very busy. Extremely busy....We're talking about the head of the General Directorate of International Economic Relations, which is known both here and abroad as "ProChile." In addition to its commercial and export-promotion offices, it has divisions whose job is to resolve economic problems and conflicts with international organizations and, now in particular, to address international cooperation in the form of treaties and accords with European countries in particular.

During the 2 months of this government he has been seen hurrying in and out of Odeplan [National Planning Office], when this ministry signs cooperation treaties. And he says that he will be seen in many other institutions, such as certain interministerial agencies that will reportedly be appearing very soon and will have to do with international trade.

Only last Tuesday was the press able to speak to him, "grabbing" him (as he himself said) as he left the offices of Finance Minister Alejandro Foxley.

It is not easy to speak with Augusto Aninat. Between meetings, trips, and his own workload, the schedule that the secretary outside his office keeps is full.

But every wait comes to an end. Once inside his office on the second floor of 1315 Alameda, where the desk is now facing the other direction, Aninat, the man with the long mustache, which makes him easily identifiable, makes himself at home and, as if he had held the job for years, explains the activities of the organization he heads.

Surprises, Surprises

[EL MERCURIO] In what shape did you find ProChile?

[Aninat] I found a well-organized office. If I had to evaluate its past performance, I would say that it was favorable. They've done a good job here...in general...and this goes for the people who were here in the past, all who made a contribution to this institution. The staff is skilled, competent, and efficient, and I'm here to respect this, not to make major changes but rather to reinforce things.

[EL MERCURIO] You say that in general it's done a good job. Is there anything specific that bothers you?

[Aninat] The problems are, rather, of emphasis, of style, of timing. Some issues have been of lower priority in the past, and the reasons are obvious. The international political framework was different, and the shift from an authoritarian to a democratic Chile creates new opportunities. So we can't judge from this point looking back. I would rather see the opportunities that we have ahead of us.

[EL MERCURIO] How do your people plan to take advantage of these opportunities? On what are you going to place emphasis?

[Aninat] I think that there are a series of priority moves. First, an open Chilean economy must be the environment in which our country must continue its policy of growth. And international economic relations must be linked to this open-door policy. Chile's emergence on the international scene hinges on several fundamental factors. The first is to open up and consolidate our trade on the main markets. In turn, the country has its natural comparative advantages in this area and is undertaking a full-fledged investment program, which means that complementary actions should be taken so that it can succeed.

[EL MERCURIO] What markets are these?

[Aninat] For these products we're talking mainly about the EEC, the United States, Japan, and the surrounding Latin American countries. We often have problems to resolve, situations to attend to with these permanent markets. But we have also seen some surprises, in recent years especially. New Chilean exports have cropped up, products with a greater value added (as some say) or with a higher level of processing (as others say), and even some surprises...(laughs mischievously).

[EL MERCURIO] What kind of surprises?

[Aninat] For example, in the months to come Chile will be exporting some capital goods. ProChile is going to start up a program to promote exports of Chilean engineering and Chilean software. These are little examples that are cropping up. We're going to add something here that started in the past and that ought to be done right now.

[EL MERCURIO] What would the markets for these exports be?

[Aninat] Besides the markets I mentioned, there are others that have emerged because of Chile's return to democracy and the changes in the world. I'm talking about the Nordic countries, East Europe, Asia in a broader sense, or the Pacific Rim. These are new markets in which Chile must continue stepping up the efforts that it has been making.

[EL MERCURIO] Which of them is Chile's main market?

[Aninat] That's hard to say. We could judge on the basis of what's important today. But the world is in the midst of change, and Chile is going to have to remain alert. It has opportunities as a country in all of them. Some people would go with the Pacific, others with a European comeback; others have their eyes on East Europe, and still others are looking at this region....The facts are clear-cut and obvious. Chile has to be in all of them and, whenever opportunities arise, make a more intensive and systematic effort.

Working Together

[EL MERCURIO] In the case of those who have their sights set on East Europe or on renewed trade with Mexico, how does ProChile plan to deal with these markets?

[Aninat] That's a hard question to answer, because different things are involved. But it's more or less like this: All of these measures involve joint participation and ongoing contacts between agents and governments, between the latter and the private sector. This, for example, is why we set up a Consulting Council in this directorate, on which all union and management representatives sit. This week we even had a first meeting to exchange information on world events, on what's happening in the marketplace, and on the measures that are considered most appropriate today to secure access to the world scene. Such access comes fundamentally from information, proper timing, and intensity.

[EL MERCURIO] How does this commission operate?

[Aninat] The businessmen report to us. They submit competing projects to us; ultimately we choose the best ones and place appropriate emphasis on them.

[EL MERCURIO] And what's the government's role?

[Aninat] The authorities also have some tasks to perform, such as government-to-government talks on the prevailing economic policies, border-control measures, preventing conflicts, tackling problems, seeking solutions, etc. One example of this is my trip next Wednesday to Tokyo, New York, Washington, and Mexico City. Later I'll be traveling through Latin America and then to Europe and East Europe. Others are doing likewise; private businessmen are always taking such trips.

[EL MERCURIO] But what do you do when you're back here?

[Aninat] We do marketing and promotional studies and even studies on potential accords with governments, not just for cooperation but also for joint international action.

An Open Economy Is the Best Policy

[EL MERCURIO] As for bilateral relations, Chile has pursued a somewhat passive policy; in other words, when the door has been closed on us, we've kept our borders open. Will this policy continue, or will we become more aggressive?

[Aninat] We're going to keep on arguing that an open economy is the best response. We have to practice what we preach. To show that Chile is a reliable country that has a very good image and wants to keep it. What we're now going to use is our political relations, our ability to deal with the various participating agents so that we can take strong action to the extent that a country like Chile can, in keeping with its commitment to tell it like it is.

[EL MERCURIO] And as far as these dealings are concerned, the government's plans no longer include returning to the Andean Pact, do they?

[Aninat] Latin American integration is always going to be a prospect that no Chilean government can dismiss. It will all depend, however, on conditions and on whether economic policies tibe or clash. Right now we're looking into the possibility of having accords of real substance (the purpose of this trip is to talk with governments), without this entailing parity in Chile's foreign-trade policy. We think that we can have accords (without entering into others) that can satisfy national interests. For example, Chile has a large trade deficit with the Latin American region, with the member countries of Aladi [Latin American Integration Association], but it could enter into substantive accords with several of these countries that would enable it to trade on more balanced terms.

[EL MERCURIO] Is Aladi of any use to us?

[Aninat] I would say that as an overall, surrounding element, Aladi has made possible agreements, modest ones so far, with countries, in the sense of the ability to make commitments. But it's obviously so flexible an arrangement that it can help us to do anything. The point is that this doesn't depend just on us but on the other side too. We're optimistic today because we see that in several countries of this region an open door to foreign trade seems to be the sign of the times. This is a very hopeful development, inasmuch as it implies that the other countries are beginning to look a little like Chile. This creates trade opportunities for everyone, with tremendous surprises in some markets, something that Chileans never imagined.

[EL MERCURIO] For example....

[Aninat] For example, having the Brazilian or the Mexican market open to the world. These are new realities in the region and they could have a major impact. This doesn't mean that other markets aren't important. But the changes are what's significant here, such as the end of protectionism in the East European countries.

[EL MERCURIO] Given the change of direction in the world, how do you visualize Chile in 1992, when European economies will be unified?

[Aninat] This is an issue that concerns us all, but we don't see the Europe of 1992, German unification, and the new world relations as representing a renewed outbreak of protectionism. There are certain dangers to which we must be alert, but we don't think that this will be Europe's response to current world developments. These kinds of things have been raised at all of the contacts that we've had with them. This is an issue that several of us from Latin America are going to hold high-level discussions on in July with the Europeans at two big meetings. Chile will be sending a delegation, which will take part, voice its views, bring some numbers, and have a few things to say.

Safeguarding Our Image

[EL MERCURIO] With regard to the image problems that Chile has had, first with fruit and more recently with wine, how does this directorate deal with such developments abroad? How do you defend yourselves?

[Aninat] This directorate can do a lot, and not just by giving excuses. Instead of that, we should explain the situations and help make commitments to overcome them. This is what it's about, having a reliable country that in certain situations understands, decides, and then acts. Moreover, everybody has problems. What you need to do is show your best face to the other party and be able to solve the problem, so that other countries don't eat you up. That's what we're aiming at, so that when there's a slip-up, no matter who's responsible (the public or private sector), we can take timely and intelligent action.

[EL MERCURIO] But don't you give Chilean exporters or possible culprits a dressing down?

[Aninat] By and large I would say that Chile doesn't have penalizing legislation. But this directorate, particularly under me, has had a policy of concerning itself with Chile's entry into sophisticated markets, which offer major opportunities, in the understanding that being in the markets is a big commitment. Perhaps the country isn't ready yet; perhaps not all agents are ready. Chile is going to have to pass legislation gradually. The problem is that at times the ability to enforce the rules doesn't exist, and other times the rules have been discredited; people are irresponsible about following them. There's an overall nationwide effort to bring modern legislation to the country. ProChile also has a lot to do here.

[EL MERCURIO] In what way?

[Aninat] By taking timely action, by pointing out what's happening, and by having its promotional tools adapted to rules of behavior; by signing cooperation contracts that are associated with them and that obviously exclude other rules. But national legislation is going to protect the country against such incidents.

[EL MERCURIO] And what role does the private sector play?

[Aninat] This sector obviously has to gradually take up commitments. Neither legislation nor action by ProChile is enough. Private enterprise itself often has to resolve these conflicts. The network of relations among private businessmen is what has to guarantee certain behavior. They themselves must often be the ones to punish the bad habits, the misconduct of some of their colleagues.

[EL MERCURIO] Does the tripartite commission of management, labor, and ProChile have this problem, quality control, etc. on its agenda?

[Aninat] All of these issues are discussed without hesitation and very frankly. Relations are good. It's not possible for an institution like this to work on a governmental or personal level. It wouldn't make sense; we wouldn't get anywhere. Putting Chile on the world map today is the work of many players, one of which is the government. This is the underlying issue; even the workers have to be brought into this cause.

[EL MERCURIO] Could the past government be credited with putting Chile on the map?

[Aninat] No, because Chile was very well known beforehand. It had a tradition of international involvement. I would say that there are some favorable and other very unfavorable things about the previous regime in terms of Chile's overseas image. I wouldn't venture a bottom-line judgment. In my modest opinion, if we combine the two, the bottom line may not be favorable. But this shouldn't prevent me from saying that there were positive things. That would be less than truthful, and it wouldn't be a prudent diagnosis for moving forward. The important thing is to find out what things were positive and what things were negative, so we can leave the positive ones as they are and change the others. Chile is in the process of doing that, and I think that as a country it's doing very well.

[EL MERCURIO] Getting back to the image problem, but this time here at home, how has the problem that has arisen with the Lozapenco fraud hurt exporters?

[Aninat] Practices like that exist, by and large, everywhere. I won't judge private enterprise on the basis of something like that. This directorate has to be clear and precise so that ideas are not confused. We can't generalize. But this type of thing unquestionably does harm, tarnishes the image of private enterprise, poses problems for the execution of government policies. I think that these policies have to try and minimize such incidents, and if there are instruments that lend themselves more readily to these phenomena, they ought to be discarded. But in the final accounting we can say that these phenomena are not very common; they're quite sporadic and isolated. Let's not lose our sense of proportion either.

In Touch With the World

[EL MERCURIO] As far as your responsibilities are concerned, have you already sent your charges d'affaires around the world any new and specific instructions since the change of government?

[Aninat] I've chosen not to send any such instruction yet, but this is something that's being prepared for the coming months. Chile is going to open several new offices, and we're drafting a short-term program for 1990 that ought to be ready by early June. This program is going to be submitted to the Council for its consideration. For the time being, we're doing the administrative work, deciding on emphasis. Then we'll be sending a second draft for the 1991-94 program, which is medium term.

[EL MERCURIO] What will the guidelines of this program be for promoting exports?

[Aninat] There are several different areas here. One is relatively reasonable macroeconomic policies that are pro-, not anti-export. We also need a political space in which the country has a horizon, in which there is a degree of confidence in the various agents, and therefore a certain degree of stability. The third is microeconomics, which many do not see and which consists of the millions of things that the many small agents who cooperate in this area do. One example of this is the appearance of a guide

for the country's industrial exporters, a guide put together by a private group that will be distributed to all outside commercial offices as a way of promoting the sale of Chilean manufactures. We're going to get the most out of this tool and support it.

In general, though, our basic task is to produce information. In this connection we have a project under way based on a low-cost computer communications system that links all of the overseas offices to this headquarters and, in turn, directly to the companies. This way companies will be able to get direct, comprehensive information on what's happening in the market from Chile's commercial offices.

[EL MERCURIO] When will this system begin to operate?

[Aninat] Over the next three months it will at least be installed in some 35 ProChile offices overseas and in six or so pilot companies inside the country.

[EL MERCURIO] In light of all these plans, how much do you expect to export during your term and how many new markets do you have in mind?

[Aninat] I'm having a study done to estimate what an annual goal could be, and it should be ready in a month. Moreover, any estimate depends greatly on traditional products, on price movements, etc. And when you have 1,500 exports that are not in the traditional portfolio, projecting and citing a number is quite complicated. I know that in the past some people have mentioned numbers and created certain expectations, but I don't think that this is the best way to express the idea.

"We Complied Because It Was in Our Interest"

[EL MERCURIO] As for Chile's return to the GSP [Generalized System of Preferences], how are the negotiations coming along?

[Aninat] Just now we've reached an agreement with the U.S. Government on a given procedure, which is in place. I've had specific talks on getting it started and drafting the appropriate explanatory documents, so that the people who ought to be traveling can get started and so that in a few days Chile can rejoin the system.

[EL MERCURIO] Just a few days?

[Aninat] A few days....

[EL MERCURIO] What happened with the United States' demands, in the labor area, for example? Did they withdraw them, were they complied with?

[Aninat] Chile has complied with almost all of the demands. Today it depends on what gets done in the labor sphere, which is why my contacts have been mainly with the Labor Ministry. But this commitment is perfectly possible for Chile.

[EL MERCURIO] But why should we agree to conditions that they impose on us?

[Aninat] Because unfortunately, in the language of international experts, this is known as "the muscle" of certain dominant countries. Principles are not everything in the world, and free trade is not in place. Sometimes governments decide the conditions for entering a market. And the fact is that we don't have enough clout to change these rules. This is why it's in a small country's interest to have international legislation, and Chile is an advocate of negotiations in GATT, inasmuch as it enables us to set international standards so that as a small country we won't be subject to the pressures of certain markets and their standards of conduct.

[EL MERCURIO] Well, but Chile complied with....

[Aninat] We complied because we thought that it was in our interest to comply.

[EL MERCURIO] Another of the demands that the U.S. Congress was looking into had to do with rules for the quality and size of the fruit entering that country. How does this affect Chile?

[Aninat] There are protectionist pressures in all markets, not just in the United States; some make sense, and others don't. Our objective is to detect them, reduce them, and eliminate them. This is what we do here; it's part of our job. If I were to tell you how many Congresses are considering bills that could hurt us and how many of them we manage to stop...people really don't know much about this, but it's what we do every day.

[EL MERCURIO] Are exporters also worried about possible quotas on textiles? How is this matter coming along?

[Aninat] It's coming along fine. At least they haven't been adopted. Once again Chile has told the United States of its concern about such things, but for now, as far as I know, no such measures are in the pipeline. But we have to be on the alert; this means action, and we have to act accordingly and keep an eye on the matter. We also have to learn not to concentrate our sales in a single market, so as to lessen the risks.

[EL MERCURIO] How do you see the future?

[Aninat] I'm always very optimistic. I think that Chile has a great opportunity, perhaps a unique one. I also think that the country is very aware of this, private businessmen, the workers, government. We'll do our part here to the extent that we ought to.

Colombia

Attorney General Files Charges Against Officers

PA2606214490 Mexico City NOTIMEX in Spanish 2326 GMT 25 Jun 90

[Text] Bogota, 25 Jun (NOTIMEX)—The Colombian Attorney General's Office has leveled serious charges against two high-ranking military officers, who allegedly

participated in the killing of more than 50 peasants in the western part of this South American country.

According to the Special Investigations Office, Maj. Antonio Jaramillo Lemus, from the "Palacea" Battalion of the 3d Brigade, and Maj. Alvaro Cordoba, commander of Police District no. 3 in Ulua Municipality, Valle Department, are involved in the killing of peasants in Trujillo, Valle Department between March and April of this year.

According to reports, Jaramillo Lemus ordered his men to "La Beatriz" and "Los Delirios" farms, in the jurisdiction of Rio Frio, Valle Department, where the peasants were apparently taken before being murdered.

According to authorities, five of the peasants found murdered in the Cauca river, had been under arrest at the police station in Sulua, 220 km southwest from here.

The authorities also said that Lt. Fernando Berrio Velazquez, commander of the police station in Trujillo, Valle Department, some 300 km southwest of Bogota, and another officer from the same station cooperated in the kidnapping of people from "La Sonora" farm. The people were later taken to "La Beatriz" and "Los Delirios" farms, owned by drug traffickers.

Government Reports Cuban Payment Suspension

PA2706002990 Mexico City NOTIMEX in Spanish 2226 GMT 26 Jun 90

[All figures as received]

[Text] Bogota, 26 Jun (NOTIMEX)—Colombian officials confirmed today that the Cuban Government has decided to suspend $3.4 million in "payments in arrears" for Colombian goods shipped to Cuba. According to the source, the total Cuban debt amounts to $31.4 million. The Colombian Government has tried in vain to get an explanation from Fidel Castro's government on this decision.

Apparently, Cuba decided to suspend indefinitely the payments for goods purchased from Colombia because its economy, based on sugar production, medicines, and tourism, is rapidly deteriorating. Also, differences have arisen regarding terms of payment.

The Colombian Government announced today that the outstanding $3.4 million will be due this year. It also did not dismiss "the fear" that the Cuban Government's measure may result in "the loss of $31.4 million," which is the total sum of Cuba's debt.

According to a government report, a delay in payments started in mid-June, "a few days after Cuban National Bank representative Margarita Serrano ended a 15-day visit to Colombia." Serrano tried to increase Colombia's credit sales to Cuba during her stay in the country.

Colombian trade officials have noted, however, that Cuba had suspended payments on Colombian goods since Holy Week. Colombia was forced to "stop" its shipments to Cuba, but $4.4 million worth of shipped goods are still pending payment. Operations based on the 1976 trade agreement between the central banks of both countries are pending as well.

Colombian officials want to resolve this situation and are trying to contact Cuban officials to arrange a meeting in this respect.

Alleged Paramilitary Group Murders 6 Peasants

PA2706004990 Mexico City NOTIMEX in Spanish 0137 GMT 26 Jun 90

[Text] Bogota, 25 Jun (NOTIMEX)—At least six peasants were shot at point-blank range today by alleged members of a paramilitary group in a rural area in southern Cauca Department, military authorities reported here.

According to the military report, some ten "hooded individuals" killed six peasants with machine-gun fire in a place known as "Buenos Aires," a region in San Juanito, Mercaderes Municipality, Cauca Department, located some 400 km southwest of Bogota.

Tirso Eduardo Fernandez, mayor of Mercaderes, confirmed over a "Caracol" radio station that the massacre had taken place and he explained that those responsible for the crime are members of a "self-defense" group that operates in the region.

According to the authorities, between March and April of this year, a paramilitary group allegedly composed of cattlemen and members of the Army's 3d Brigade, has murdered at least 50 peasants in the same region.

Peru

Fujimori Aides Term Economic Situation 'Critical'

PY2606231290 Buenos Aires DYN in Spanish 1912 GMT 26 Jun 90

[Text] Lima, 26 Jun (AFP)—The dollar exchange rate surpassed 100,000 intis. Economic experts here today stated that this is the highest dollar exchange rate since outgoing President Alan Garcia took office five years ago. This situation is aggravated by a trend of price increase, explosive strikes, and a shortage of fuels that have undermined the Peruvian economy.

Four and a half weeks before President-elect Fujimori takes power and on the eve of his eight-day visit to the United States and Japan, Fujimori's aides have said that the situation is "critical."

Fujimori's purpose is to return Peru to the financial-credit system of the IMF, the World Bank, and the Inter-American Development Bank, to which, according to the sources, he will submit an adjustment plan to curb Peru's almost 3,000-percent annual hyperinflation.

Independent economists Alejandro Toledo and Guido Pennano, and left-wing leader Carlos Amat said that Fujimori will inherit a country that is bankrupt. They added that uncertainty has increased after the exchange rate in the free market last night stood at 104,000 and 105,000 intis to the dollar, to buy and sell respectively.

Money changers have reported that at noon today the exchange rate stood at 105,000 and 110,000 intis to the dollar, to buy and sell respectively, with a trend of increased rates due to the massive demands by people who charged overdue debts to the government and by savers who withdrew their money from banks to purchase dollars.

Economic experts estimate that the situation may remain uncertain until Fujimori takes power on 28 July. At that time the fiscal deficit will equal eight percent of GDP, the country will have no foreign reserves, and the GDP will experience "a free drop" at a rate of less than six percent per year.

As of this week housewives line up in front of stores in Lima to buy noodles, sugar, and milk, which are products that are no longer sold to the public. Beginning this year there has been water and power rationing in Lima, the capital with almost 7 million people. The "Cuanto" research group has estimated that until last week the June inflation rate amounted to 37.2 percent and that the accrued inflation rate has reached 479.9 percent since January. The wave of shortages also affected the transport sector. There have been shortages of gas, kerosene, and gasoline. Gasoline costs less than 30 cents per gallon, due to subsidies, which has consumed Petroperu's [State Petroleum Agency] capital.

Industrialists estimated that electricity rationing is causing a loss of $12 million for the sector. The National Businessmen's Federation warned that the lack of a response by the government "is creating an atmosphere of uneasiness that may endanger the stability of the upcoming administration."

Armed Forces Confidential Meeting on Subversion

PY2606173690 Lima Television Peruana in Spanish 0100 GMT 26 Jun 90

[Text] The Armed Forces commanders—Air Force, Navy, and Army—held a three-hour confidential meeting today. The meeting was held in the facilities of the Development Promotion and Study Center, DESCO, in Magdalena del Mar. The Armed Forces will reportedly work more closely with this center.

The Armed Forces meeting was headed by General Mariano Rengifo, Armed Forces chief of staff. The meeting served to make a thorough evaluation of the struggle against subversion and the real possibilities for national pacification by resorting to intelligence. The intelligence will involve action in the economic, social, political, and development areas along with repression operations in different regions of the country, with special emphasis on the emergency zones such as the Andean trapezium [southeast Peru covering Cusco, Apurimac, Puno, and Ayacucho Departments].

[Begin recording] [Marcial Rubio, DESCO head] We explained the center's activities, work in the field, our research work, and the political information we have. That is all we discussed.

[Unidentified reporter] Was the meeting aimed at reinforcing the work of the military and civilians in the antisubversive field?

[Rubio] Our contact was aimed at providing information. I assume they will come to their own conclusions about our work. Our work is well known but, of course, some details are not publicly known—not because they are hidden, but because they are part of our daily routine. This is the information we gave them.

[Reporter] Do you have similar points of view? Is the struggle against subversion being won?

[Rubio] Obviously, subversion was one of the issues discussed. I am not aware of the position of the Armed Forces Joint Command on this issue. I cannot speak for them, but I believe that subversive operations are slowing down; this is shown by their decreased action during the first round of elections and the runoff election. Obviously, the municipal elections were much more painful than the recent elections because of the loss of life and insults. This indicates that subversion had more problems carrying out actions against people and property when compared to the last few years. That is a fact. [end recording]

Fredemo Wins Two Seats at Chamber of Deputies

PY2606210890 Lima LA REPUBLICA in Spanish 23 Jun 90 p 9

[Excerpt] The National Electoral Court [JNE] has invalidated the designation of Samuel Suarez Orbegozo and Cesar Cevallos Barrenechea as deputies for Pasco and Lambayeque Departments respectively. Suarez and Cevallos are members of APRA [American Popular Revolutionary Alliance]

They were replaced by Fredemo [Democratic Front] leader Oscar Contreras Idrovo, a deputy candidate for Pasco, and by APRA [as published] leader Genaro Velez Castro, a deputy candidate for Lambayeque.

Consequently, the two deputies-elect for the Pasco Department belong to Fredemo. [passage omitted]

Bomb Explodes in San Martin de Porras Hall

PY2206195790 Lima Television Peruana in Spanish 1800 GMT 22 Jun 90

[Text] The San Martin de Porras Municipal Hall was the site of a bomb attack this morning but no one was harmed by the blast. Terrorists of an unidentified group bombed the San Martin de Porras Municipal Hall, but

fortunately no one was harmed. The terrorists entered the municipal hall among the public which normally visits the building on business.

The terrorists planted a dynamite bomb in a bathroom on the second floor of the building. So as not to be interrupted, they placed an out-of-order sign on the bathroom door. The bomb exploded during business hours. Although everyone was scared, the attack fortunately caused no injuries.

According to the slogans painted on the bathroom walls and the pamphlets found, the attack was committed by the Patriotic Liberation Front [Frente Patriotico de Liberacion], which demands the re-hiring of some municipal workers whose contracts were not renewed due to budget cuts.

We have spoken to Mayor Marcelino Morales:

[Begin recording] [Unidentified reporter] How did the attack take place?

[Morales] We do not know, but today at 0945 we heard an explosion in one of the bathrooms on the second floor of this building. We do not know what happened afterward. The entrance was not well guarded at that moment. We do not know who committed the attack.

[Reporter] Do people normally enter this building on business?

[Morales] Yes, a lot of people come in here on business. Although we control the entrance, this time it unfortunately did not work. As for property damage, I can tell you that a wall and a door on the second floor were damaged and the windows were broken. [end recording]

Uruguay

Government on Drug Control in Border Areas

PY2606133090 Madrid EFE in Spanish 0001 GMT 26 Jun 90

[Text] Montevideo, 25 Jun (EFE)—It was reported today in Montevideo that upon learning that "this country is being used as a bridge by the drug cartels operating in Colombia, Peru, and Bolivia," the Uruguayan Government has decided to strengthen control of the border areas against drug trafficking.

This control is being carried out at the borders with Argentina and Brazil, especially at airports and port zones, with the participation of Army, Navy, and police troops and customs officials.

According to the Montevideo newspaper EL DIA, the Medellin cartel has used Uruguay "on several occasions as a bridgehead to export cocaine to Europe."

The same newspaper reported in today's issue that "despite the head-on struggle that the Colombian Government is conducting against drug trafficking, the Colombian drug "barons" are managing to take important shipments out of the country, and Uruguay has become one of the chosen areas for drug trafficking."

In the past few years, the Uruguayan police have detained several people, who were in transit in Montevideo, operating as "couriers," and carrying large amounts of drugs.